

# Republicans Counsel Israelis That Reagan Drop His Cemetery Visit

**By David Hoffman**  
Washington Post Service  
WASHINGTON — High Republican political strategists, including veterans of President Ronald Reagan's campaigns, say that there is a consensus among them that Mr. Reagan should abandon plans to lay a wreath next month at a German war cemetery.  
Despite widespread agreement that the visit May 5 to Bitburg, Germany, would be a "disaster," as several of them put it, the strategists said Tuesday they have not thought of a way for Mr. Reagan to change his mind. Several said they hoped to come up with an alternative plan during the coming week.  
The strategists, who spoke on condition that they not be named, said Nancy Reagan, the president's wife, has privately expressed concern about the cemetery visit and indicated that she would like to stem the controversy over it. Asked about the issue Tuesday, she declined comment.  
The concern among Reagan loyalists came as a Washington Post-ABC News poll indicated that a slim majority of Americans disapproved of Mr. Reagan's scheduled visit to the German cemetery and wanted him to cancel it.  
The poll also indicated a drop in Mr. Reagan's "approval rating," the public's overall evaluation of how he is handling the presidency, to 54 percent, his lowest rating since October 1983.  
The political strategists, most of whom worked on Mr. Reagan's two successful presidential campaigns, said they have discussed the cemetery visit among themselves but have not yet voiced their concerns to the White House chief of staff, Donald T. Regan, or the president.  
Mr. Reagan's plans to visit the cemetery have touched off protests from Jewish organizations and American veterans, but the president said last week that he would not change his plans because "all it would do is leave me looking as if I caved in the face of some unfavorable attention."  
Larry Speakes, the White House spokesman, reiterated Tuesday that Mr. Reagan has no plans to change his itinerary.  
Chancellor Helmut Kohl of West Germany has described as "final" Mr. Reagan's decision to visit Bitburg, where some Nazi SS troops are buried. Mr. Kohl earlier rebuffed a request from the White House that the cemetery be dropped from Mr. Reagan's itinerary, according to U.S. officials.  
In the past some of the same individuals have been instrumental in persuading the White House that public opinion was shifting against Mr. Reagan or his policies.  
For example, when Mr. Reagan made a critical remark about Martin Luther King Jr. in 1983, several of these strategists warned the White House about a damaging backlash among voters. Mr. Reagan apologized to King's widow, Coretta Scott King, and later sponsored a Rose Garden ceremony to sign a bill making King's birthday as a federal holiday.  
Late in 1983 these strategists privately urged the withdrawal of U.S. Marines from Lebanon.  
The political strategists, most of



Israeli tanks pulling out of the Bekaa Valley.

**Israelis Pull Out Of Bekaa Troops Now Are More Exposed To Guerrillas**  
**By Henry Kamm**  
New York Times Service  
JERUSALEM — The Israeli Army pulled out Wednesday from the eastern and central sectors of Lebanon, completing the second of the three planned stages of the withdrawal of its occupying forces.  
The evacuation was viewed by military analysts as potentially the most dangerous in the difficult maneuver of disengagement of forces.  
The Israeli troops left the Bekaa Valley, where it had faced the armor and artillery of the Syrian Army rather than the small guerrilla bands that have made the rest of occupied Lebanon unsafe for them.  
From the mountains around the valley, Israeli guns held the Syrian capital of Damascus in their sights.  
The limited number of reporters allowed by the Israelis to cover some aspects of the withdrawal reported no incidents.  
Helicopter gunships flew over as Israeli tanks, armored personnel carriers and other vehicles moved south toward the border strip that remains occupied, and to Israel beyond.  
The withdrawal occurred on the day that Israel mourns the dead of its wars. Some officers and soldiers, talking to reporters attending memorial ceremonies, expressed doubts whether the Lebanese campaign had been worth the lives of about 650 Israeli soldiers.  
"In this war, the people stopped believing," a colonel commanding a unit near Mount Barouk said.  
The government of Prime Minister Shimon Peres decided Sunday to complete the evacuation of Lebanese territory by the beginning of June.  
It claimed an option, however, to exercise control by means of local militias over a border "security zone." Defense Minister Yitzhak Rabin also said that Israel would strike any point in Lebanon from which Israel was threatened.  
In addition to the Bekaa Valley, the Israeli Army left the Christian mountain town of Jezzine and Mount Barouk to the north. The peak, which stands only three miles (4.8 kilometers) south of the Beirut-Damascus Highway, was the site of a sophisticated electronic surveillance station, capable of monitoring communications in several countries.  
The withdrawal leaves a vacuum that the weak Lebanese Army is believed unlikely to be able to fill, and which Israel is warning Syria not to attempt to fill.  
Mr. Rabin said that Israel had not coordinated its pullout with the Beirut government.  
"I hope the Syrians understand that Israel cannot just stand by if they break certain restrictions," Mr. Rabin said.  
In its announcement, the Israeli military said that the withdrawal "creates a geographic buffer" between Syria and Israel.

# Congress Is Split On Aid To Nicaraguan Rebels

**By Joanne Omang and Margaret Shapiro**  
Washington Post Service  
WASHINGTON — The Senate has approved a compromise version of President Ronald Reagan's proposal for \$14 million in aid to anti-government guerrillas in Nicaragua, 53 to 46, but the same plan was rejected by the House of Representatives, 248 to 180.  
Action on the proposal, which Mr. Reagan had strongly urged Congress to approve, came late Tuesday. The House was to vote Wednesday on alternatives to the Reagan plan and, if one is passed, House and Senate conferees would try to agree on a compromise.  
The seven-vote margin of support in the Senate for the president was the smallest that the Republican-controlled upper house has given him on aid to the rebels, and the House margin of defeat was four votes larger than any previous House rejection of Mr. Reagan's 3-year-old aid program for the rebels.  
The White House released a statement from the president praising the Senate for casting "an historic vote" for "a consistent and effective policy that is true both to our principles and to our interests."  
But, before the Senate vote, Mr. Reagan had further modified his plan in an unexpectedly conciliatory letter promising to renew direct U.S. negotiations with the leftist Sandinist government in Nicaragua. The United States broke off the talks in January.  
Mr. Reagan's letter, delivered to the Senate majority leader, Robert J. Dole, a Republican of Kansas, just 75 minutes before the final Senate vote, also pledged to "press for" a cease-fire between the rebels and the Sandinists. The original

# Past Fuels Present Debate

**Some Cite Vietnam, Others Cite Cuba**  
**By Don Oberdorfer**  
Washington Post Service  
WASHINGTON — Congress's divisive debate Tuesday on U.S. support for Nicaraguan rebels took place in the shadow of two historical precedents: the Vietnam War, whose inglorious end 10 years ago is being commemorated this month, and Communist control of Cuba, still a thorny issue in the United States a quarter-century after the revolution there.  
Those two situations provided much of the oratorical fodder as members of the Senate and House of Representatives spent Tuesday discussing the U.S. role in Nicaragua.  
Opponents, many of them Democrats, sought to describe U.S. support of the rebels as a first step toward a new Vietnam.  
"The real issue," said Senator Patrick J. Leahy, a Democrat of Vermont, during the Senate debate, "is whether Congress is going to sign a blank check for the president to lead this country to direct U.S. military intervention in a Central American war, a war the American people do not want."  
Others equated the pro-rebel resolution with the Gulf of Tonkin resolution on Vietnam in 1964.  
Proponents, led by Republicans, spoke more often of Cuba and the consequences of U.S. inaction.  
The House minority leader, Robert H. Michel, a Republican of Illinois, declared at the outset of debate that to "abandon the democratic force," as he called the rebels, would result in "starting the clock ticking toward an inevitable armed clash in this hemisphere." If the leftist Sandinist government consolidated power in Nicaragua, he said, "they will ultimately sell their nation to the Soviet Union the same way Castro sold Cuba."  
What started as the "secret war" in Nicaragua is anything but a new issue in Capitol Hill. The Democratic-led House, whose intelligence committee expressed reservations from the beginning, has voted three times in 11 months to cut off aid to the guerrillas.  
Tuesday night's votes did little to change that pattern. Unless the Reagan administration can prevail on the House on Wednesday to back a semblance of President Ronald Reagan's program, the chances for continuing the aid seem unlikely.  
One major difference this time is that the U.S. program is more out in the open. The increasingly thin veil of deniability has been dropped. The administration resolution before Congress on Tuesday would have approved "the obligation and expenditure of funds available for fiscal year 1985 for supporting, directly and indirectly, military or paramilitary operations in Nicaragua."  
Another difference has been Mr. Reagan's willingness to dilute his programs and agree to last-minute compromises. He promised, in a letter to the Senate shortly before the voting, that none of the money would be used for ammunition or weapons, even if Congress grants the \$14 million he is seeking.  
"The United States now stands at a moment of judgment," Mr. Reagan wrote. "Even watered-down, humanitarian support for the guerrillas would, over time, 'help the democratic center prevail over tyrants of the left or the right,' he said, but would 'tolerate the consolidation of a surrogate state in Central America, responsive to Cuba and the Soviet Union.'"  
For many lawmakers, policies vied with foreign policy arguments, although less was said in public about the politics.

# A Pioneer in Israel — An Egyptian Ambassador's Daughter Preceded Sadat to Jerusalem

**By Thomas L. Friedman**  
New York Times Service  
JERUSALEM — If the definitive history of the peace treaty between Egypt and Israel is ever written, a young Egyptian woman will, perhaps, deserve at least a footnote.  
It might read something like this: "Three years before Anwar Sadat came to Jerusalem, Sana Hassan flew to Israel on her own initiative to tell Israelis that Egyptians were ready for peace."  
Miss Hassan, a graduate student at Harvard, was the daughter of a former Egyptian ambassador to Washington. Sadat revoked her passport at the time and said later that he "could have killed her for breaking ranks. Miss Hassan spent several years living in Israel, studying Hebrew and working everywhere from a kibbutz potato field to the kitchen of the King David Hotel. Three months before his assassination in 1981, Sadat ordered her passport returned.  
Today, Miss Hassan is back in Israel, formally doing post-doctoral research from the Harvard Center for International Affairs. In her free time, she is brushing up on her Hebrew and trying, in her own way, to salvage the fraying Egyptian-Israeli peace.  
Miss Hassan recently completed a book about her experiences in Israel, entitled "Enemy in the Promised Land: Recollections of the First Egyptian Visitor to Israel," which is to be published soon. She has arranged to have the book serialized in Israel's largest Hebrew newspaper, Yedioth Ahronot.  
"I came back in anger," said Miss Hassan, 35, of her return in January to Jerusalem.

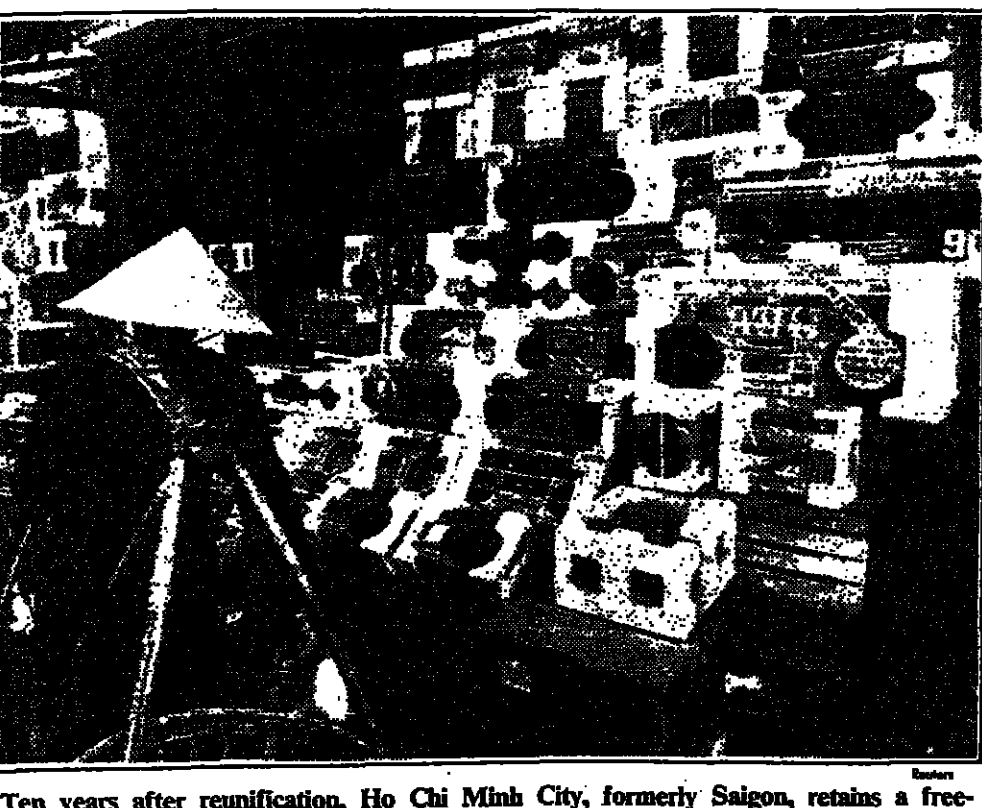


Sana Hassan, an Egyptian who went to live in Jerusalem.

**Dead U.S. Major Credited With Tank Photo Mission**  
**By James M. Markham**  
New York Times Service  
BONN — The U.S. Army major who was shot and killed last month by a Soviet sentry in East Germany had carried out an earlier mission in which he soaked into a Soviet tank and photographed the interior, according to a Western intelligence source.  
The source, who has intimate knowledge of the operations of the unit to which the major was attached, said that in what was described as "a specially planned operation" the American, Major Arthur D. Nicholson Jr., took advantage of the drunken revelry of Soviet troops on New Year's Eve at an unidentified base in East Germany.  
The source said that the U.S. officer slipped into a tank shed and photographed "not their very latest one, but almost."  
The Western source said he believed that the Russians were not aware of the officer's exploit. He declined to say where the infiltration took place or to name the kind of tank.  
Major Nicholson, a 37-year-old Russian-speaking officer, was attached to the 14-man U.S. military liaison mission based in Potsdam, near Berlin. Since 1947, the mission has been allowed to roam in the former Soviet occupied zone of Germany, conducting what amounts to legally sanctioned espionage.  
Under similar accords, British and French teams also tour the East German countryside on the lookout for Soviet and East German maneuvers and missile sites. The Soviet Union has three similar missions accredited to the American, French and British sectors of what is now West Germany.  
Although both the Soviet and North Atlantic Treaty Organization commands declare areas off-limits for the liaison missions, the teams are renowned for stretching the rules and sneaking into restricted areas. Soviet liaison troops have been caught climbing over the fences of NATO bases, according to Western diplomatic sources.  
According to the official American version of the March 24 incident, Major Nicholson was shot without warning by a Soviet sentry as he was taking photographs through the window of a Soviet tank shed near the town of Ludwigslust. U.S. officials said the major was 300 to 500 yards (274 to 456 meters) away from a restricted zone, but in an area that until the month before had been itself a restricted zone.  
Moscow has maintained that Major Nicholson was in a restricted area and, in the words of a statement issued by its embassy in Washington on Monday, was "an unknown intruder who was carrying out an intelligence mission and did not comply with the warnings of the sentry who was acting in strict compliance with military manuals."  
The embassy said that the Russians reserved the right to use force against unknown intruders. The statement took issue with an account issued by the State Department six days earlier that said the Soviet Union had given assurances that military personnel would not

# John Paul II Appoints 28 to Become Cardinals

**The Associated Press**  
VATICAN CITY — Pope John Paul II named 28 new cardinals Wednesday, including a pro-Solidarity prelate from his native Poland, the head of the embattled church in Nicaragua and the archbishop of New York and Boston.  
The new cardinals, who come from 19 countries, will be formally elevated at a consistory at the Vatican on May 25.  
For the first time, the pope named cardinals from Ethiopia and Nicaragua and promoted the Rome-based leader of the Ukrainian Catholic Church, Archbishop Myroslav Ivan Lubachivsky, who is an American.  
A number of major archdioceses traditionally headed by cardinals have had no such ranking leadership because of deaths or retirements since the last consistory in 1983. The promotions will bring the number of cardinals under the age of 80, and therefore eligible to vote for a new pope, to 120 — the limit under church rules.  
The new cardinals include Archbishop Jozef Tomko, a Czechoslovak whom the pope also appointed to head the Vatican's missionary arm, the Congregation for the Evangelization of Peoples.  
From Latin America, the pope named as cardinal Archbishop Juan Francisco Fresno Larraín of Santiago, and a Venezuelan, Rosilio José Castillo Lara, who heads the Vatican's canon law commission.  
For the first time, the pope named a cardinal from Ethiopia, Archbishop Paulos Tzadua of Addis Ababa.  
Two Canadians were promoted to the rank of cardinal. They are the archbishop of Quebec, Louis-Albert Vachon, and Archbishop Edouard Gagnon, who heads the Pontifical Commission for the Family.  
The consistory will be the third held by John Paul II since his election as pope in 1978.  
John Paul also promoted a number of Vatican-based prelates and chose an 82-year-old Italian priest who is a prominent sociologist. He will not be eligible to vote in a conclave.  
In addition to voting in a papal conclave, cardinals also serve as advisers to the pope and serve on special Vatican commissions.  
The consistory is to be held four days after the pope returns from a trip to the Netherlands, Belgium and Luxembourg. Among the 28 new cardinals named was the archbishop of Utrecht, the Netherlands, Adrianus J. Simonis.



Ten years after reunification, Ho Chi Minh City, formerly Saigon, retains a free-enterprising tinge, as evidenced by vast arrays of consumer goods on display in the streets.

# North, South Vietnam in Uneasy Union

**But After 10 Years, Long Road to Reunification Is Not a One-Way Street**  
**By William Branigan**  
Washington Post Service  
HO CHI MINH CITY — A young North Vietnamese government official making his first trip to the South was asked what he thought of this city, formerly named Saigon. His terse reply came without hesitation. "Not well organized," he said.  
Some days later the Northern cadre had a more elaborate verdict: with their warmer climate and rich agriculture, Southerners did not have to work as hard as people in the hard-scrabble North who were forever struggling against the elements.  
He found Southerners quite friendly, but noted they had an "easier life." They bothered little about building and fixing up their houses, but paid "much attention to food." He stopped short of calling them lazy.  
A native Southerner, also a government employee, talked more bluntly of Northerners: "They don't like us, and we don't like them," he said. "They think they know everything, but they are ignorant."  
She expressed the familiar complaints here that Northerners were rigid, dogmatic, dominating, with a tendency to behave like conquerors.  
Ten years after Communist forces, mainly consisting of 15 North Vietnamese infantry divisions, routed troops of the U.S.-backed South Vietnamese government and captured Saigon, the "reunification" of the country is still sometimes an uneasy partnership.  
The marriage of North and South is often marked by mutual mistrust and, at least where



## U.S. Is Suspending Missile Deployment

The Associated Press

BONN — The deployment of U.S.-built Pershing-2 missiles in West Germany is being suspended while the weapons are modified. West German officials said Wednesday. A fire in a missile in January killed three American soldiers.

Because a repeat of January's accident cannot be ruled out, the deployment has been suspended, Defense Minister Manfred Wörner told the Bundestag's defense committee, according to Alfred Biele, the committee chairman.

Mr. Biele spoke with reporters after the meeting. Government sources said earlier that American experts had traced the fire in the Pershing-2 missile to a freak electrical discharge, not human error.

The accident Jan. 11 also injured 16 persons. The sources, who spoke on condition of anonymity, said Tuesday that experts had found that static electricity was discharged into the solid fuel propellant of the unarmed nuclear missile's first stage.

"Human error and systematic technical defects have been ruled

out" as possible causes, one of the sources said.

He said modifications were being made to the missiles that would improve the grounding of the engines and reduce the risk of similar electrical discharges.

A U.S. Army report outlining the findings was delivered Friday to the Defense Ministry in Bonn, according to the sources, who normally are well-informed on defense issues.

They said the investigating team reached its conclusions in a three-month, \$6-million study of the accident at a Pershing-2 training site near Heilbronn in southern West Germany.

NATO is deploying 572 cruise and Pershing-2 nuclear missiles to counter Soviet SS-20s already in place. All 108 Pershing-2s have been assigned to West Germany. The report said experts would conduct further tests with modified Pershing-2s under cold weather conditions similar to those on the day of the accident, the sources said.

Colonel Thomas H. Denney of the U.S. Army Safety Center at Fort Rucker, Alabama, led the investigating team, the West German sources said.

## Gorbachev Gives the Kremlin New Blood

By Celestine Bohlen

Washington Post Service

MOSCOW — Three new men have taken their seats in the Soviet Politburo and, in doing so, have pushed the country's ruling group across the generational divide.

No longer can it be so easily said that the Soviet Union is run by a group of old men: as of Tuesday, a majority of the 13-member group is under the age of 65. Only four months ago, seven out of 12 Politburo members were over 70.

The shift is not simply statistical. The new Soviet leader, Mikhail S. Gorbachev, still the youngest member at 54, has moved quickly to refashion the Soviet leadership in his own image, picking younger, better-educated men, each with a background of practical, managerial experience.

While the Soviet Union in recent years has been governed by old men, most previous leaders acted similarly to Mr. Gorbachev in bringing in their own new men, and Leonid I. Brezhnev also named several Politburo members who were in their 50s. They remained, however, and are only now giving way to a younger generation.

The key thread running through Mr. Gorbachev's choices, endorsed Tuesday by the Central Committee, however, is that they, like Mr. Gorbachev, are all Andropov men. Yuri V. Andropov, during his brief tenure as Soviet leader from November 1982 to his death in February 1984, laid the groundwork for Mr. Gorbachev's first major personnel moves by guiding Yegor K. Ligachev, Nikolai I. Ryzhkov and Viktor M. Chebrikov to positions close to the center of Soviet power.

It was under Andropov that Mr. Ligachev, 64, made his meteoric rise, from first secretary of the Tomsk party to a position on the Communist Party secretariat in charge of personnel. Jumped into the Politburo by Mr. Gorbachev without passing through the usual probation as a nonvoting, candidate member, Mr. Ligachev now is reported to hold the post of ideological secretary as well, which would put him second behind Mr. Gorbachev in the party hierarchy.

Mr. Chebrikov's career progressed at a steady rate. Starting in Dnepropetrovsk, a stronghold of support for Brezhnev, he came



Yegor K. Ligachev

to Moscow in 1967 as chief of personnel at the KGB secret police, where Andropov was then chief. In 1982, after Andropov became party head, Mr. Chebrikov, 61, was moved into the top KGB job and, again under Andropov, became a candidate member of the Politburo in 1983.

Mr. Ryzhkov, 54, an expert in heavy industry with a background at Gosplan, the Soviet State Planning Committee, was brought into the party secretariat by Andropov, where he was given responsibility in the economic field, heading a new unit charged with integrating various economic efforts.

Like Mr. Ligachev, Mr. Ryzhkov has been vaulted straight onto the Politburo without serving as candidate member. Such rapid promotions have been extremely rare: in recent times, only Foreign Minister Andrei A. Gromyko and the late defense minister, An-

drei A. Greshko, were elevated directly to the Politburo.

Even Viktor P. Nikonov, 56, named Tuesday to the party secretariat where he is expected to take over the agricultural slot once occupied by Mr. Gorbachev, got his first big promotion under Andropov, becoming agricultural minister of the Russian Federation in January 1983.

The only exception to the pattern in Tuesday's promotions is Defense Minister Sergei L. Sokolov, named one of six candidate members of the Politburo. His appointment is widely regarded as honorific.

That Mr. Gorbachev could afford to break unwritten rules and reach down below the ranks of candidate members for Politburo choices is seen here as a sign of political confidence and the momentum of his leadership.

Like the men, the themes pushed by Mr. Gorbachev can be traced back to Andropov, whose tenure saw a push toward modernization and the first infusion of new blood into the leadership left behind by Brezhnev, who died in 1982.

Mr. Ligachev, a well-dressed, well-spoken man, spent 18 years as local party chief in Tomsk, an important industrial center in the Urals. Before that he had worked in party and government posts in Novosibirsk, in Siberia, and for four years in the early 1960s in Moscow in a bureau of the Central Committee.

Responsibility for party personnel has given Mr. Ligachev a sensitive and influential post in the hierarchy since 1983. In 1983 and 1984, he worked with Mr. Gorbachev in supervising selection of candidates.

Mr. Chebrikov, as chief of the KGB, follows Andropov, who headed it for 15 years, in holding a KGB seat on the Politburo. His KGB tenure has continued a crackdown on corruption and a tight rein on the dissent.

Mr. Ryzhkov, after Mr. Gorbachev the Politburo's youngest member, made his name in Sverdlovsk in the Urals where by 1971 he was general director of an important manufacturer of armaments and heavy machinery.

In 1975, he came to Moscow as first deputy minister of heavy machine building and in 1979 became first deputy chairman of Gosplan.

## WORLD BRIEFS

### Iraq Reports Attack on Gulf Ship

BAGHDAD (Reuters) — Iraq said Wednesday that its warplanes had attacked and hit "a large naval target" near the main Iranian oil terminal on Kharg Island in the Gulf.

A military spokesman said on Radio Baghdad that the attack took place at 10 A.M. local time and that all the planes had returned to base. There was no immediate confirmation from shipping sources in other Gulf countries of any vessel hit or in distress.

The reported attack was the first in the Gulf since April 16 when the Cypriot tanker Kypros, on an Iranian oil shuttle, was hit southeast of Kharg Island, apparently by an Iraqi air-to-surface Exocet missile. That attack ended a three-week lull in such raids, which were initiated by Iraq more than a year ago in an attempt to damage Iran's economy and thereby its war effort.

### U.S. Marshals Searching for Mengele

NEW YORK (NYT) — U.S. marshals have begun searching for Josef Mengele, the Nazi war criminal, by conducting interviews in West Germany and possibly other countries, according to officials and specialists familiar with the investigation.

Justice Department officials reiterated Tuesday that they were assuming the notorious death camp doctor was alive; he would have turned 74 last week. But they acknowledged they had no proof or reliable information on his whereabouts.

"We are working with a number of foreign governments that are assisting us," said Howard Safir, associate director for operations of the United States Marshal's Service, which usually works in domestic law enforcement. Mr. Safir said a special unit had been formed to hunt for Dr. Mengele, but he declined to provide details.

However, others involved in the investigation said marshals had been to West Germany to question several jailed drug smugglers reported to have been close to Dr. Mengele in Paraguay, his last confirmed residence.

### Argentine Junta Compared to Nazis

BUENOS AIRES (UPI) — A former United Nations official involved in human rights has stirred a courtroom controversy by comparing Argentina's former military government to Nazi Germany for killing thousands of leftist guerrilla suspects.

Theo Van Boven, a prosecution witness at the trial of nine former military junta leaders who are charged with ordering the killings in the 1970s, also testified Tuesday that the defendants covered up the disappearances of thousands of people who are now believed to have been tortured and killed.

The testimony of the Dutch law professor, who directed the UN human rights office from 1977 to 1982, drew heated objections from defense attorneys. They objected to his status as a foreigner and accused him of violating court procedures by reading from notes.

### Explosion Sinks Freighter in Red Sea

LONDON (Reuters) — A suspected mine sank a loaded Panamanian freighter in the Red Sea, Lloyds of London said Wednesday.

The Mariner-2 went down Tuesday in deep water after an unknown object exploded as the vessel was at the northern end of the Red Sea, Lloyds said. The crew and the bulk carrier was picked up by the Belgian container vessel Beldin Express.

The sinking came seven months after a series of underwater explosions was reported in the area.

### U.S. High Court Sets Church Wages

WASHINGTON (NYT) — The U.S. Supreme Court has ruled unanimously that religious organizations must pay the federal minimum wage to workers engaged in commercial activity. The court said the law applies even if the workers insist that their labor is part of a religious mission for which they want no pay.

In an opinion by Justice Byron R. White, the court said Tuesday that the "test of employment" under the Fair Labor Standards Act, which governs minimum wages and hours, is "one of economic reality." If employees could decline the law's protections, Justice White said, "employers might be able to use superior bargaining power to coerce employees to make such assertions." The court ruled in favor of the Department of Labor in a long-running enforcement action against the Tony and Susan Alamo Foundation, an evangelical Christian organization that runs several dozen commercial enterprises in four states. The businesses, staffed by 300 unpaid "associates" who often work 12 or more hours a day, include hog farms, a roofing company, a motel and gasoline stations.

### For the Record

A tremor and its aftershock injured nine persons, cracked buildings and set off a small landslide in the northern Philippine mountain town of Baguio on Wednesday, the official Philippine news agency said. (AP) Singapore will not allow strategic technology to be sent to unauthorized users, said the nation's finance, health and education minister, Tony Tan, on Tuesday. A news report in February said that Singapore was among 15 countries suspected by the United States of being used as bases to pass on high-technology products to the Soviet bloc. (AP)

Five persons were trampled to death Wednesday in Belo Horizonte, Brazil, by a crowd fighting for a last glimpse of the body of President-elect Tancredino Neves, who died Sunday. (AP) The space shuttle Challenger, set for liftoff Monday, will land in the California desert because of the brake and tire blowout problems experienced when the shuttle Discovery returned to Earth at Cape Canaveral, Florida, last week. (AP)

## North, South Vietnam: Uneasy Union

unification as a great success in a fundamental aspect: it has encountered no significant armed resistance.

Although South Vietnam fielded well-equipped armed forces and local units by the end of the war totaling more than one million men, the Communist takeover was so complete that no counterrevolutionary threat arose.

Some of the regime's detractors say the Communists run a fairly efficient police state. As many as one million former government officials, military men and others associated with the Saigon government were sent to "re-education" centers, according to Hanoi's justice minister, most for a few days or weeks.

"Not more than 10,000" inmates remain in the re-education camps, Justice Minister Phan Hien said in an interview in Hanoi. But he refused to say how many were "old residents since 1975" — in other words, detainees associated with the former government — and how many were "newcomers not worth putting on trial."

Other estimates put the number of re-education camp inmates at about 40,000. Nearly one million Vietnamese have fled the country by various means since 1975, with almost half of them eventually resettling in the United States. The Vietnamese account for the bulk of an Indochinese refugee exodus in the last 10 years totaling about 1.6 million people, including Cambodians and Laotians who have fled the Communist takeovers and the continuing fighting in their homelands since 1975, according to the U.S. Committee for Refugees.

Mai Chi Tho, the chairman of the People's Committee of Ho Chi Minh City and a senior Communist Party official, blamed this "very unhappy, complicated situation" on American "economic, political and propaganda measures" directed against Vietnam.

"American propaganda made a great fuss about a bloodbath aimed at getting revenge against all those

## Red Cross Considers Ways to Aid War Reporters

By Iain Guest

International Herald Tribune

VEVEY, Switzerland — Officials from the Geneva-based International Committee of the Red Cross agreed Wednesday to consider establishing a 24-hour hotline to assist journalists wounded or injured in the course of their work.

The proposal was one of several made at a two-day seminar on the safety of journalists on dangerous assignments. The seminar was organized by the committee and attended by 16 organizations representing journalists, publishers and broadcasters.

Among other proposals presented were those for establishing a

clearing house for information on journalists reported missing or killed, for Red Cross protests to governments on behalf of journalists and for further meetings to review progress.

There has been growing concern at the risks facing journalists, particularly those in war zones.

Participants at the seminar welcomed the interest of the Red Cross. Dana Bullen, executive director of the World Press Freedom Committee, said: "There is perhaps no other organization in the world which has such a reputation for humanitarian purpose and even-handed fairness."

Jean-Pierre Hocké, chief of field operations for the Red Cross, said the agency's existing facilities for tracing missing people could be used on behalf of journalists.

But, he cautioned, further Red Cross action may be limited by the agency's mandate.

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## BRIEFS

**on Gulf Ship**  
Wednesday that its warplane be near the main Iranian oil tanker.

o Baghdad that the attack was the planes had returned to the from shipping sources in the Gulf since April 16 when it oil shuttle, was hit by a missile to surface. Exact mode, the aids, which were missed by the to damage Iran's economy.

**ing for Mengele**  
is has begun searching for the conducting interviews, in the according to officials and news.

ed Tuesday that they were near as alive; he would have been had no proof or reliable news.

of foreign governments the state director for operations in usually works in domestic unit had been formed to hunt details.

estigation said marshals had been paid drug smugglers' money, his last confirmed residence.

**mpared to Nazis**  
of United Nations official also room controversy by comparing to Nazi Germany for the times at the trial of the defendants under the Nuremberg laws are now believed to have been.

ession, who directed the 14-hour heated, questions from the as a foreigner and accused from notes.

**eighter in Red Sea**  
of mine sunk a loaded Panam ship on Wednesday.

in deep water after an mine the northern end of the Red Sea was pushed up by the the series of underwater explosions.

**is Church Wages**  
S. Supreme Court has ruled that pay the federal government. The court said the law is part of a religious group.

Where the court said Tuesday, Fair Labor Standards Act is a law of economic main, which the Justice White said, "The government has a right to regulate the power to work."

The court ruled in favor of the union, saying that the law applied to the government's employees.

with Wednesday in Bolivia, the government has said it will not use force to suppress the strike.

The union said it will not accept the government's offer of a 10 percent wage increase.

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## U.S. Warned Of Surplus in Trillions for Trust Fund

By Spencer Rich

WASHINGTON — The Social Security trust fund, under current law, will build up a surplus of \$7 trillion by the year 2015, a figure so high as to be "unrealistic" and threatening to the whole economy, the system's former chief actuary, Robert J. Myers, has warned the House Committee on Aging.

Mr. Myers, singling out a problem that is vexing Social Security supporters, focused Tuesday on the fact that the 1983 Social Security financial rescue law appears to be doing its job so well that surpluses from about 2000 to 2030 will become huge before starting to decline.

Therefore, he said, they will present an inviting reason for Congress to increase benefits or divert surpluses to other purposes.

Mr. Myers said that the current theory is to build a huge surplus, then draw down on it as the post-World War II generation starts retiring and much more money is needed for benefits. Eventually, the surplus would be depleted.

The \$7-trillion surplus, expected to equal about \$2 trillion in 1984 dollars, will be five times the annual payments in 2015, he said. In Mr. Myers's opinion, a much smaller reserve will be needed to assure benefit payments to retired and disabled people.

The surpluses, which could damage the U.S. economy by draining off so much money, "should be prevented by an automatic adjustment procedure that would lower" tax rates "when the fund balance exceeds 50 to 60 percent of annual outgo," Mr. Myers said.

**U.S. Union Chief Refuses to Answer Panel's Questions**

New York Times Service

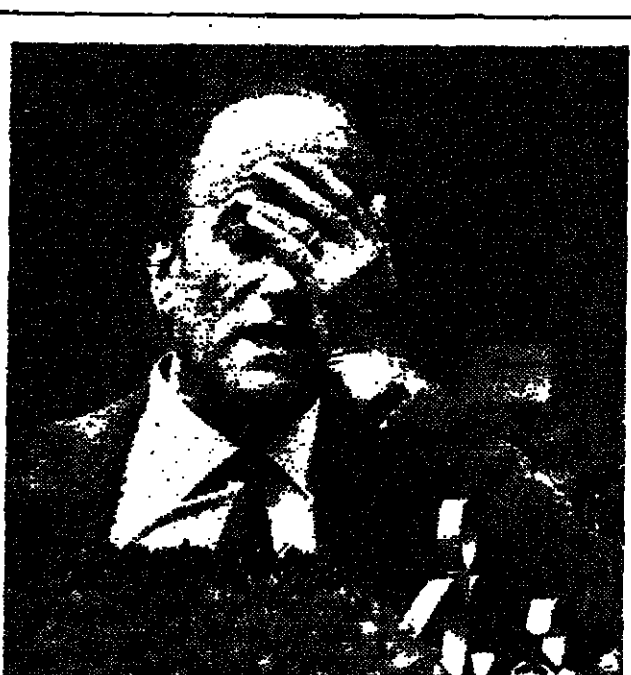
CHICAGO — Jackie Presser, the president of the International Brotherhood of Teamsters, repeatedly has refused to answer a federal commission's questions about labor racketeering.

Mr. Presser, appearing Tuesday on the second day of the three-day hearings by the President's Commission on Organized Crime, invoked the Fifth Amendment to the Constitution, which states that a person cannot be compelled to be a witness against himself.

The testimony of several previous witnesses had indicated that, in October 1983, Mr. Presser gave tacit approval to an attack on disident Teamsters meeting in a Detroit suburb. The witnesses also said that, at least once, Mr. Presser had accepted a payment from Eugene Boffa, an organized crime figure convicted of labor racketeering in 1981.

As soon as James D. Harmon Jr., the chief counsel to the 18-member commission, asked Mr. Presser when he had assumed leadership of the International Brotherhood of Teamsters, Mr. Presser read from a brief statement explaining that he would "reluctantly" decline to testify to avoid self-incrimination.

Accompanied by his attorney, John R. Climaco, Mr. Presser said he had been advised not to answer any questions because, for the last four years, he had been the "principal target" of a federal investigation into the Cleveland union local that he once headed.



## Von Bulow, Jury Visit Mansion

Claus von Bulow wept Tuesday as he and the jurors who will decide whether he tried to kill his multimillionaire wife, Martha, visited the couple's mansion in Rhode Island. He was convicted three years ago of trying to kill her with insulin injections, but the verdict was overturned on technical grounds. Both sides were to make opening statements Thursday in a retrial. On Tuesday, some of Mrs. von Bulow's jewelry was sold at auction in New York for \$2.5 million. Proceeds go to her children.

## Reagan Cemetery Visit Is Opposed in U.S. Poll

By Barry Sussman

Washington Post Service

WASHINGTON — By a slim majority, Americans disapprove of President Ronald Reagan's scheduled visit to a German military cemetery and want him to cancel it, according to a nationwide Washington Post-ABC News public opinion poll.

The poll also shows a drop in the public's overall evaluation of Mr. Reagan's handling of the presidency — his "approval rating." In the poll, 54 percent said they approved of Mr. Reagan's performance as chief executive, his lowest rating since October 1983.

His approval rating was at 68 percent in a poll in January, 62 percent in February and 60 percent in late March.

The survey, conducted Monday night, is the first public poll to measure response to the clamor over Mr. Reagan's trip to West Germany next week. It finds that Americans are sharply divided over the visit to the cemetery and over the way Mr. Reagan and his advisers have dealt with the matter.

Fifty-one percent of the people interviewed said they disapproved of the president going to the Bit-

burg cemetery, where a number of Nazi SS troops are buried along with other German soldiers. Thirty-nine percent said they approved of the visit, and the remainder offered no opinion.

Republicans and Democrats differed sharply on the issue, with 57 percent of the Republicans approving of the visit and 63 percent of the Democrats saying they disapproved. Among independents, 51 percent said they disapproved.

American Jewish leaders and others, including 53 senators, have urged the president not to go to Bitburg. Many critics say that a visit to a cemetery where SS members are buried would dishonor the memory of the victims of the Holocaust.

Mr. Reagan, who is to lay a wreath at the cemetery, has said he is not dishonoring Holocaust victims but rather is acting in the name of reconciliation 40 years after World War II.

The public tended to accept Mr. Reagan's position: 51 percent said he would not be dishonoring Holocaust victims, compared with 33 percent who said he would be and 16 percent who said they were not sure.

**Peruvian Election Chief Shot**

The Associated Press

LIMA — The president of Peru's National Election Board, Guillermo García Rada, was shot Wednesday morning by gunmen who ambushed his car as he rode to his office in Lima, the police reported.

The official was rushed to a local hospital, the police said. There was no indication of who had attacked Mr. García Rada.

Fernando Belaúnde Terry, the outgoing Peruvian president, went to the hospital as soon as he was informed of the attack against Mr. García Rada. The attack came as the board that Mr. García Rada heads was still tallying the results

of the April 14 presidential election.

Final results are expected to be announced by the board by the end of this month, but unofficial totals indicate that Alan García Pérez, 35, the candidate of the social-democratic Aprista party, has won a large plurality.

Mr. García, however, was unlikely to win a majority of the vote and a runoff election is expected next month. He has announced that his office is preparing for the second round, which would pit Mr. García against the Marxist mayor of Lima, Alfonso Barrantes Lingán, 58. Mr. Lingán placed second in the April 14 vote.

## First Ladies Of 18 Nations Meet in U.S. In Drug Fight

Washington Post Service

WASHINGTON — The 18 women, few to Washington from countries as nearby as Canada and as far away as Malaysia. Back home, the drug problems range from glue sniffing to heroin addiction to cocaine production. But they have come to Washington hoping to do something about the problem by attending the First Ladies Conference on Drug Abuse, arranged by Nancy Reagan, the American first lady.

Wednesday's first session includes presentations on U.S. education and prevention programs, a talk by a former drug addict on "Why I Used Drugs — Why I Stopped" and a discussion among the first ladies.

On Thursday, the group flies to Atlanta for a daylong program devoted to a daylong program sponsored by the National Parents' Resource Institute for Drug Education.

"Mrs. Reagan will be flying down to Atlanta with half of them, and back with the other half, in alphabetical order," said her press secretary, Jennifer Hirschberg. "I would imagine the talking to each other and getting to know each other and the conviviality will occur then."

The State Department Office of Protocol is paying for the visits of the first ladies and two staff members each. A protocol spokeswoman said the cost of the conference and the conviviality could not be calculated until it is over.

The conference is the crowning event in Mrs. Reagan's anti-drug campaign. And, while Ms. Hirschberg stressed the conference is geared to mothers rather than government officials or professional experts, she said Mrs. Reagan would be filling a role very much like that of a stateswoman.

Sitting in the Red Room, just down the hall from where final touches were being put on the East Room for Wednesday's conference, Mrs. Reagan said the conference was the result of conversations she had had with wives of foreign leaders on state visits here.

She said the conference was "not on a governmental level — it's a mother-to-mother level" — and though she believed there had to be "some government involvement" in stemming the drug tide, "it is a family, a personal problem, and I don't know of any government that can provide love or attention or affection."

"This was all new to them, so it just seemed a logical next step to make it an international effort," said Mrs. Reagan.

Among those attending are: Siti Hasmah, the wife of the Malaysian prime minister; Joan FitzGerald, the wife of Ireland's prime minister; Mila Mulrony, the first lady of Canada; Anne-Marie Willoch, the wife of the Norwegian prime minister; Tsuruko Nakasone, wife of Japan's prime minister; Begum Shafiq Zia ul-Haq, wife of the president of Pakistan.

Also: Anna Craxi, wife of Italy's prime minister; Maria Mampela Eanes de Portugal; Eugenia Cordovez Ponton de Febrés-Cordero, wife of Ecuador's president; Rosa Elena Alvarez de Betancur, the first lady of Colombia; Sarojini Jgnath of Mauritius.

Also: Marianne von Weizsäcker of West Germany; Paloma Cordero de la Madrid of Mexico; Mitsy Seaga of Jamaica; María Lorenza Barreneche de Alfonsín of Argentina and María Consuelo Rivera de Ardito Barletta of Panama.

## Frenchmen's Mission: Save Liberty in U.S.

By William Geist

New York Times Service

NEW YORK — The 10 Frenchmen journeyed to America despite warnings from their mothers that they would be mugged within five minutes of their arrival in New York and mowed down by gangsters in Chicago.

"For better, and sometimes for worse, none of the warnings about America have come true," said a disappointed Jacky Dupont, who was warned by his mother to watch out for crowds of American women waiting at the airport to get their hands on a Frenchman.

"This is a mission," said Jean Wiart, "and nothing our mothers said could stop us."

Mr. Dupont and Mr. Wiart are among the team of 10 that has been "dropped on another planet," as one of them phrased it in broken English: suddenly living in Brooklyn and commuting by boat to their job — their "mission" — in Upper New York Bay. They are fine metalworkers from Reims, brought to America to help restore the Statue of Liberty. They are expected to be in the United States until the end of the year.

Things are going more smoothly now. Shortly after they arrived in November, they attempted to befriend neighbors one night by knocking on the windows with a bottle of wine. They were nearly arrested by the authorities.

"We want to get to know the American people," Mr. Dupont said.

"They had two beautiful daughters," Jean-Michel Gres said.

When they showed up for work, members of Iron Workers Local 455 greeted them with a protest over the hiring of foreigners to work on the Statue of Liberty.

The French workers were repeating what their forefathers had done in the 1870s, hammering copper and making the parts — the spikes, the torch and the flame — for the Statue of Liberty, a gift from France to the United States. The workers, from Les Métalliers Champenois, a restoration firm in Reims, were said to have been picked because they are the best in the world at fine metalwork.

They arrived with two tons of hand tools, including more than 100 different hammers of their own making. What surprised the Americans was that these were not old men practicing the art, but men in their 20s, most of them, the youngest 18 years old and the oldest 37. One of them said that they still practiced the art in Europe "because it is an old continent with everything falling apart all the time."

After work recently, they trudged up State Street in Brooklyn from the subway, slumped in living-room chairs drinking a favorite French liqueur and told of their almost monastic existence: rising at dawn and returning home from Liberty Island at dusk six days a week.

They live dormitory-style in a three-story

town house, which they hurriedly furnished in a decor Mr. Wiart refers to as *L'Armée du Salut*, or Salvation Army, where they bought mismatched couches, chipped formica tables and odd chairs.

They did their own cooking for a while, but it became just too much work.

A woman was hired to cook dinner five days a week. They ask her for French rabbit with prunes and she gives them American fried chicken with mashed potatoes.

Three of the men are married, but only Mr. Wiart has his family with him: his wife, Monique, and two young daughters.

It is difficult for them to meet people because they speak little English. They did meet a woman across the street who had lived in France. She saw Mr. Gres drying salad greens by whipping them against the front railing in a beach towel and asked if perchance they were from out of town.

They often watch television and sometimes understand it.

"We watch the baseball," Mr. Gres said, "and they are with the clubs and the running. And there is the American football and they jump on top of each other and then get off, time after time."

"And on the news programs there is no analysis," Mr. Feirs said, "just the murder, the fire, the accident: the murder, the fire, the accident."

They all agreed they would not forget their American colleagues working on the statue.

## U.S. Congress Split on Plan To Aid Nicaraguan Rebels

(Continued from Page 1)

help ensure against wrongful acts by those who seek our help," the letter added, apparently responding to allegations of rebel atrocities.

"This letter concedes most of what we were trying to get from the president in the form of legislation," the minority leader, Robert C. Byrd, a Democrat of West Virginia, said. "This is no way to legislate."

The conflicting House and Senate verdicts set the stage for decisive House votes Wednesday on two alternatives, one from Republicans that closely followed the Senate-approved measure and one from Democrats that provides general humanitarian aid to the region but not the rebels.

Either would be far less than the wholehearted endorsement for the rebel cause that Mr. Reagan has demanded in several weeks of emotional speeches but more than Democrats had been willing to provide to the guerrillas. Democratic leaders said they expected a much narrower vote Wednesday.

House Speaker Thomas P. O'Neill Jr., a Democrat of Massachusetts, said that Tuesday night's House vote was a clear signal of concern about potential U.S. involvement in Nicaragua. "They don't want our boys down there," he said. "That's what it's all about."

The Senate vote was rather a grudging one, awarded by conservative Democrats who complained that White House rejection of their weekend compromise offer forced them to take the lesser of two evils: supporting the president rather than abandoning the rebels altogether.

The Democrats' proposal, worked out Sunday by eight senators who seldom agree ordinarily, would have provided the rebels \$14 million in humanitarian aid through a government agency other than the CIA and would have offered more funds to implement any later peace agreement.

Critics of the plan said that, had the CIA funneled the aid, the rebels could have used it to purchase military equipment. Mr. Dole told the Senate that he expects Mr. Reagan

to name the National Security Council as the controlling body, a reference to the interagency committee that the White House now plans to use to administer the aid.

In the Democratic-controlled House, the debate followed traditional ideological lines, with liberals and moderates opposing further aid to the rebels, whom they termed uncontrolled "thugs," and more conservative lawmakers supporting the aid and calling the rebels "freedom fighters."

The chairman of House intelligence panel, Lee H. Hamilton, a Democrat of Indiana, called the \$14 million "a down payment on greater military involvement" and "the next step on the slippery slope to further major U.S. military involvement in Nicaragua."

■ **Nicaragua Praises Vote**

Nicaragua said that the House defeat of Mr. Reagan's request for \$14 million in aid to anti-Sandinist rebels was "a vote that should contribute to peace." The Associated Press reported from Managua on Wednesday.

The government reiterated its willingness to resume a dialogue in Mexico with the United States, as well as its refusal to negotiate with the rebels.

On Tuesday, the government radio station La Voz de Nicaragua called the House vote a "catastrophic defeat for Reagan."

■ **Ortega to Visit Moscow**

The Tass press agency said Wednesday that President Daniel Ortega Sazvedra of Nicaragua will visit the Soviet Union this month. Reuters reported from Moscow.

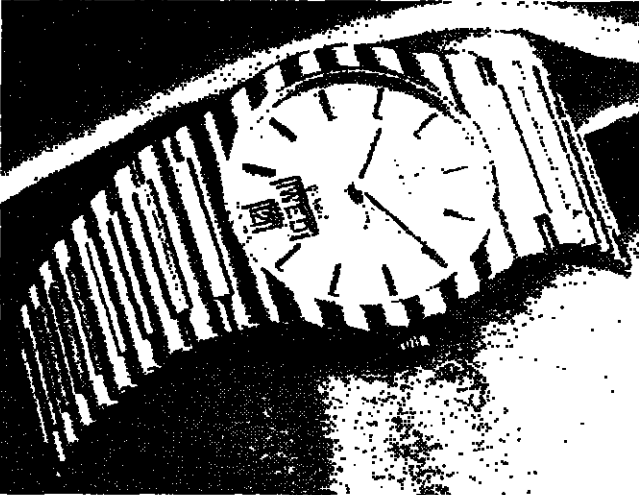
Mr. Ortega and other officials make regular visits to Moscow for talks with Soviet leaders, who back his government with supplies and advisers.

11 Miners Killed in Japan

The Associated Press

TOKYO — Eleven miners were killed and five others injured Wednesday by fire and smoke in a coal mine on the small island of Takashima in western Japan, police said. The cause of the fire in the 110-year mine was not immediately known.

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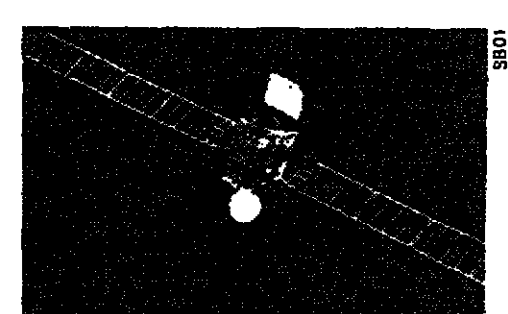
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## EC Budget Ministers Agree on Funding

**LUXEMBOURG** — European Community budget ministers agreed on a draft budget Wednesday, a first step to free the group from month-by-month emergency funding, Italy's deputy budget minister, Carlo Fracanzani, said.

Mr. Fracanzani, who was chairman of the meeting, said the plans would now be sent to the European Parliament for possible amendment.

## European Nations Drafting Accord With U.S. on Space

**PARIS** — Officials of the 11-nation European Space Agency began two days of private talks here Wednesday on European participation in the proposed U.S. orbiting space station.

The agency's administrative council was to decide by Wednesday or Thursday how to put decisions made at the council's ministerial-level meeting in Rome in January into effect.

Officials said the main aim would be to draw up a draft agreement on participation in the \$10-billion space station, which is scheduled to be operational by 1994.

The ministerial meeting gave the go-ahead for agency participation. It is now up to the administrators to work out the details.

The key issue will be to ensure that Europe secures a major role in the project and not, as some officials fear, a form of political "window-dressing."

The council is to draw up an agreement committing the European agency to the two-year design phase of the station.

Diplomats said this meant that the EC would not finalize its annual budget until June, the latest in its history.

In December, the parliament turned down a proposed cash scheme for 1985 that the EC acknowledged would not cover a full year's spending. Since January, it has resorted to monthly funding that prevents the launching of new policies.

But an agreement last month by the 10 EC foreign ministers to bridge a gap between 1985 income and expenditure with additional cash grants from national treasuries paved the way for a fresh attempt to settle the budget question.

The ministers agreed Wednesday that this year's income shortfall to be funded out of national coffers totaled 2 billion European Currency Units (\$1.5 billion), the diplomats said.

The ministers also made \$400 million worth of extra savings on food aid to Third World countries and on other expenditure, setting planned spending at \$21.3 billion in 1985, they said.

But the EC's budget commissioner, Henning Christophersen, said that part of the new savings would be neutralized when the parliament discussed the draft in May.

Diplomats said work was complicated by the deadlock in negotiations on new prices for community farm produce this year.

Mr. Christophersen said that the European Commission could increase its budget proposals if the 10 farm ministers settled their dispute by raising some agricultural prices, increasing farm spending beyond earlier targets.

The farm price talks ended with no progress in Brussels on Tuesday, making it virtually impossible to assess how much cash is needed to keep the EC's agricultural policy afloat. Farm spending accounts for more than 70 percent of the planned budget.



## Break Time on the Great Wall

Terry Dargan, 13, fascinated at least one Chinese photographer as he showed off a dance he called "poppin'" during a visit Tuesday to the Great Wall. The youth is a member of a touring boys chorus from Newark, New Jersey.

*Herald Tribune*

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## Third World Gathers Again at Bandung

### Suharto Issues Warning to West at 30th Anniversary of Seminal Conference

*Compiled by Our Staff From Dispatches*

**BANDUNG, Indonesia** — President Suharto, opening a meeting of 80 Asian and African nations, warned the West on Wednesday that prolonged backwardness in the Third World would lead to disaster for industrialized nations.

He said at the meeting marking the 30th anniversary of the Bandung Asia-Africa conference that the only way to close the gap between advanced countries and the developing world was to establish a new international economic order.

"Solidarity is a real need so that Afro-Asian nations can fight shoulder-to-shoulder to end the backwardness and poverty that still chain most of us," he said in a speech opening a meeting to celebrate the first Bandung conference, held by Third World countries in 1955.

Poverty spawned political unrest and instability, he said, which were often exploited by external forces.

"The prolonged backwardness of the developing countries, which represent the majority of the human race, sooner or later will undoubtedly become the beginning of disaster for the advanced countries," he said.

While political independence



Suharto

had been largely achieved throughout Asia and Africa since 1955, this did not mean much without economic development, he said.

The Bandung conference 30 years ago issued the 10-point declaration, which provided building blocks for the Nonaligned Movement started six years later in Belgrade.

Among other things, the original declaration called for recognition of the equality of all races and of all nations large and small, nonintervention in the internal affairs of other countries and avoidance of alliances with big powers.

For the commemoration, a resolution has been drafted that Foreign Minister Mochtar Kusumaatmadja of Indonesia said was based on the Bandung spirit.

Sources close to the organizing committee said that the draft resolution called on the international community to help eradicate the racial segregation policies of South Africa, and also supported the struggle of the people of South-West Africa, or Namibia, for independence under the leadership of the South-West Africa People's Organization, one of five national liberation fronts invited to the anniversary.

The draft reaffirms concern about the many conflicts in the world, in particular the situation in Southeast Asia and South-West Africa. It does not specifically mention Cambodia.

Other committee sources said there was a possible problem because of Algeria's request that the Western Sahara be mentioned in the resolution.

The sources said any attempt to mention Western Sahara by name would cause a strong protest from Morocco, which claims the area as part of its territory. The Algerian-backed Polisario Front has proclaimed the establishment of an independent Saharan Arab Democratic Republic there.

The draft declaration was being watered down behind the scenes on

some points, reflecting the difficulty of reaching unanimity among so many nations, diplomats said.

President Suharto, in his speech, said that Asia and Africa should urge the United States and the Soviet Union to stop testing and producing nuclear weapons and to hold immediate negotiations to reduce the number of warheads.

(Reuters, AP)

### Romulo Is Ill

Carlos P. Romulo, a former Philippine foreign minister and a founding father of the United Nations, fell ill and was forced to leave the opening session of the Bandung conference, the Philippine Foreign Ministry said, United Press International reported from Manila.

Reports from Bandung quoted by the state-run Philippine News Agency said Mr. Romulo, 86, "collapsed" at the session hall and was rushed to a hospital, where he was declared in "good condition this afternoon after undergoing dialysis treatment."

### Panama Gains Control Of Canal's Air Traffic

*United Press International*  
**PANAMA CITY** — The United States handed over control of air traffic in the Panama Canal Zone to the Panamanian government on Tuesday.

The transfer of the air traffic control tower, an island radar station and communication buildings from U.S. control to Panamanian control was done under the Panama Canal Treaties, signed in 1978.

### China Disavows Communist Party Of Indonesia

*The Associated Press*  
**JAKARTA** — In a bid to normalize relations with Indonesia, Foreign Minister Wu Xueqian of China has declared that China halted support for the Indonesian Communist Party 18 years ago, a report said Wednesday.

In an interview with the English-language Jakarta Post, Mr. Wu said that since the 1965 coup attempt in Indonesia, in which the Communists were strongly implicated, most of the former party leaders in China "have gone to Europe of their own free will."

After the coup, Indonesia banned the Communist Party and in 1967 suspended relations with China. In 1975, in a pledge broadcast by Beijing radio, the Central Committee of the Chinese Communist Party reiterated support for attempts by the outlawed Indonesian party to overthrow the Jakarta government.

Since 1967, Indonesia has maintained that it can have normal relations with China only if Beijing drops its support of Communist guerrillas in southeast Asia.

Mr. Wu is in Jakarta for the 30th anniversary of the nonaligned conference at Bandung. He is to meet Mochtar Kusumaatmadja, Indonesia's foreign minister, but their schedule has not been announced.

### Royal Family Issues Paper On SS Link

*United Press International*  
**LONDON** — Britain's royal family has issued German court documents that officials said should clear the father of Princess Michael of Kent of an alleged Nazi German past.

The Daily Mirror last week printed what it said was evidence that Princess Michael's late father, Baron Günther von Reibnitz, was a member of Adolf Hitler's elite SS formation.

Princess Michael, who was born in Czechoslovakia as Hitler's empire collapsed, said she was shocked at the reports as she always believed her father was an anti-Nazi hero.

Officials at Kensington Palace, the Kents' official residence, produced copies Tuesday of a decision of the Upper Bavaria Appeal Tribunal of May 14, 1948, that appeared to support the princess's version.

The tribunal decided Baron von Reibnitz was only a "nominal" member of the Nazi Party he joined in 1931 and was never involved with any organization regarded as "criminal" by the Nuremberg War Crimes Tribunal.

Baron von Reibnitz had appealed a decision by the Court of



Princess Michael of Kent

Nuremberg Labor and Detention camps that classed him in the "less incriminating" category.

The appeal decision showed that Baron von Reibnitz became involved with the SS in 1934.

An Oxford University history professor, Norman Stone, commenting on the document, said this was only because the SS took over all equestrian associations in Germany and made their members "honorary" members of the "Cavalry SS" as well. Baron von Reibnitz was a keen horse-breeder and hunter.

### Sam Ervin of Watergate Panel Dies

*By Marjorie Hunter*  
*New York Times Service*

**WASHINGTON** — Sam J. Ervin Jr., 88, the former Democratic senator from North Carolina who gained national attention while presiding over the Senate Watergate investigation in 1973, died Tuesday in Winston-Salem, North Carolina.

According to hospital officials, Mr. Ervin died of respiratory failure brought on by a three-week bout with emphysema, gall bladder surgery and kidney failure.

Mr. Ervin described himself as "just an old country lawyer." But to millions of Americans he was the hero of the unfolding drama of the Watergate affair that led to the resignation of President Richard M. Nixon in 1974.

He was the man with constantly bobbing eyebrows and a vast repository of homespun tales, whose every move was recorded by the television cameras as he presided over the Senate Select Committee on Presidential Campaign Activities, popularly known as the Watergate hearings, in 1973.

Years later, after retiring to his hometown of Morganton in the foothills of the Blue Ridge Mountains, Mr. Ervin wrote his own account of the Watergate days, "The Whole Truth."

In typical fashion, he concluded by quoting Shakespeare, "Watergate," he wrote, "has taught us the truth embodied in these words of Shakespeare:

*Sweet are the uses of adversity, Which, like the toad, ugly and venomous, Wears yet a precious jewel in its head.*



Sam J. Ervin Jr.

Long before the Watergate hearings, the man known to friends and colleagues as "Mr. Sam" and "the Judge" had been regaling colleagues in the Senate with bits of poetry, Bible verses and the wisdom of Uncle Ephraim Swink, whom he described as an arthritic mountaineer.

In 1954, his first year in the Senate, he served on a special committee that recommended the censure of Joseph R. McCarthy, the Republican senator from Wisconsin.

While Mr. Ervin's roles in censuring Mr. McCarthy and in the resignation of Mr. Nixon were widely applauded, his stands on a number of other issues in his 20 years in the Senate were at odds with those of many party colleagues.

A conservative Democrat, he opposed most civil rights legislation in the 1950s and 1960s. He opposed giving 18-year-olds the right to vote. He supported an expansion of wiretapping by state courts. He generally voted to support business over labor and endorsed U.S. involvement in Vietnam.

He also led the Senate fight against the Equal Rights Amendment for women, arguing that he was "trying to protect women from their fool friends and themselves."

Mr. Ervin was respected as the Senate's leading expert on the constitution, and his advice was widely sought on constitutional issues.

Born Sept. 27, 1896, Mr. Ervin attended the University of North Carolina, then served 18 months in France in World War I, where he was wounded twice and twice was cited for gallantry. He went to Harvard Law School, then returned home to marry his childhood sweetheart, Margaret Bruce Bell, and practice law.

In 1925, he served in the North Carolina General Assembly, where he helped defeat a bill that would have banned the teaching of the theory of evolution in public schools.

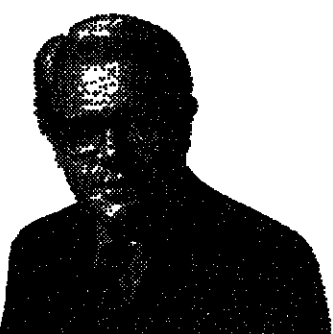
He said: "Only one good thing can come of this. The monkeys in the jungle will be pleased to know that the North Carolina legislature has absolved them from any responsibility for humanity in general and for the North Carolina legislature in particular."

**Other deaths:**  
Clara Lane, 85, the "merchant of loneliness" whose newspaper advertisements helped bring together, she claimed, more than 25,000 couples over a half-century of matchmaking, in Glendale, California.

Warren I. Susman, 58, a Rutgers University professor known as a bold and creative chronicler of U.S. pop culture, Saturday of a heart attack while speaking at the national convention of the Organization of American Historians, in Minneapolis.

## De Beers Extracts from Julian Ogilvie Thompson's Statement for 1984

At the end of 1984 Mr. H. F. Oppenheimer retired after 27 years as Chairman of De Beers, but will stay on the Board, and was succeeded by Julian Ogilvie Thompson. Nicholas Oppenheimer was appointed Deputy Chairman.



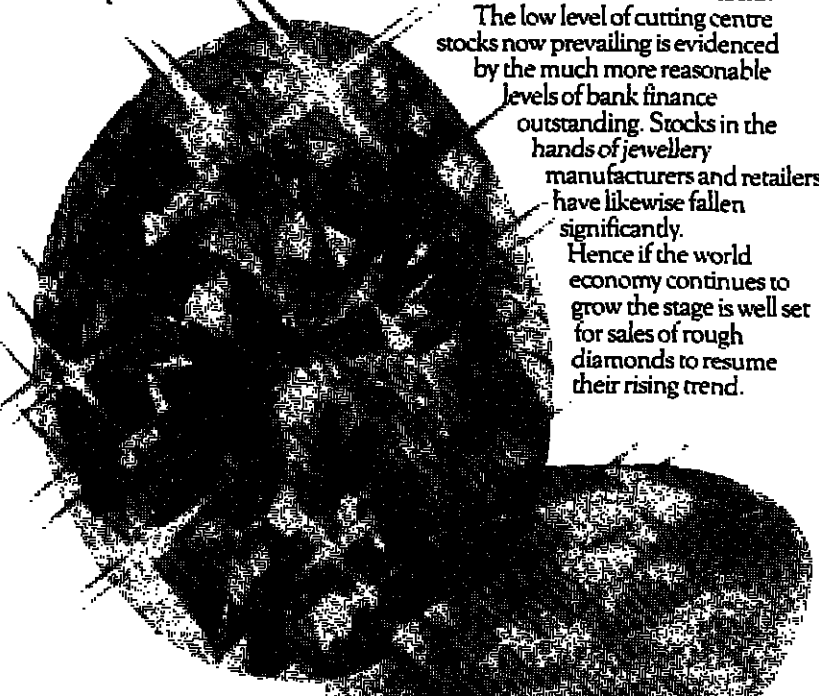
net apparent increase in funding of R280 million. However, this figure was less than the increase of R349 million which would have resulted from the application of the change in the Rand/

The large rise in our stocks in recent years, from US \$936 million in 1980 to US \$1,950 million in 1984 is of course the obverse of the reduction in the pipeline stock that our policies

## Demand for rough diamonds is broadening—retail diamond jewellery sales set a new record

Dollar exchange rate to such liabilities and assets brought forward from the previous year. Borrowings remain well within the total facilities available to our Group.

have brought about. We estimate that during those five years stocks in the cutting centres have fallen by nearly US \$5 billion i.e. by five times as much as the rise in our own stocks.



The low level of cutting centre stocks now prevailing is evidenced by the much more reasonable levels of bank finance outstanding. Stocks in the hands of jewellery manufacturers and retailers have likewise fallen significantly. Hence if the world economy continues to grow the stage is well set for sales of rough diamonds to resume their rising trend.

Investments outside the diamond industry appreciated by R409 million to R3,687 million (1,024 cents per share) over the year, and yielded income of R183 million, compared with R162 million the previous year.

Retail sales of diamond jewellery in the United States increased in value by no less than 19 per cent in 1984. Outside the United States there was on average a small increase in retail sales in local currencies. Overall more consumers acquired diamond jewellery than ever before and the increase in retail sales world-wide came to approximately six per cent in Dollars. It follows that sales of diamonds in jewellery once again substantially exceeded the corresponding value of rough diamonds sold to the cutting centres — as a consequence of the CSO's policy of withholding qualities not in demand — and brought about a further significant decline in the quantity of diamonds in the pipeline between the CSO and the ultimate consumer.

At the first three sights in 1985, during which the CSO maintained its policy of selective allocation, there was a welcome indication of interest in a wider range of diamonds, and sales of the larger sizes increased. Total sales were affected by the decision of the Indian trade not to import rough diamonds over a period that included the February sight, as a result of certain fiscal problems between the trade and the authorities in Bombay. It remains to be seen whether the sales lost by the CSO as a result of this action will be recouped during the remainder of the year.

The industrial side of our business had another good year. There was a pleasing improvement in sales of natural grit, but sales of drilling stones continued to be affected by the depression in minerals exploration. Sales of synthetic grit and polycrystalline diamond products, which

had passed the US \$100 million mark the previous year, rose by as much as 15 per cent, and there was further growth in the profitability of the Group's three diamond synthesis factories facilitated by new techniques developed at the Diamond Research Laboratory. We estimate that the market for synthetic and natural grit and drilling stones in the non-Communist world now absorbs about 150 million carats a year. The improvement in demand for industrial diamonds is particularly encouraging in view of the fact that the Argyle mine in Australia, which will be a big producer of industrial and drilling qualities, is due to come into full production at the end of this year. Plans for the marketing of the Argyle production are being developed and we have intensified our research into new uses of natural diamond grit.

**Unified wage structure**  
It is now nearly six years since the Group achieved a unified wage structure on its mines in South Africa and SWA/Namibia, and our extensive training and development programmes for employees at all levels has enabled us to make further progress in implementing our policy of merit-based manning. We welcome the recruitment of employees in our Namaqualand division by the National Union of Mineworkers whose negotiations with mine management for a recognition agreement are well advanced. This will broaden employee participation in the negotiation of wages and conditions of service, which is in line with our policy of favouring responsible union representation on our mines.

**The Urban Foundation**  
We have maintained our contributions to the Chairman's Fund, which devotes a large part of its activities to improving the quality and extent of technical education; and to the Urban Foundation, which has facilitated a number of notable achievements in the socio-economic development of South Africa during the past year. We believe that through these institutions, and others, the Group continues to play its part in the creation of a fairer and more just society in South Africa.

At the last annual general meeting Mr Oppenheimer referred with deep regret to the death of Dr Louis Murray, in a flying accident, a director since 1975. For nearly 20 years he had been responsible for our world-wide exploration activities, and under his leadership the major discoveries in Botswana were made. In November, Mr Alex Barbour, a director of the Diamond Trading Company, was appointed to our board.

The full Chairman's Statement is contained in the Annual Report of the Company for the year ended 31st December 1984 which was posted to registered Shareholders on 24th April 1985.

De Beers Consolidated Mines Limited  
(Incorporated in the Republic of South Africa)

Head Office  
36 Stockdale Street, Kimberley, South Africa.  
London Office  
40 Holborn Viaduct, London EC1P 1AJ

**De Beers**

The name that stands for diamonds

Due to technical problems  
this Thursday

**INTERNATIONAL POSITIONS**

will appear on

**FRIDAY, APRIL 26.**



# Pan Am. The Experience Keeps On Growing.

some points, reflecting the difficulty of reaching unanimity among many nations, diplomats said. President Suharto, in his opening address, urged the United States and the Soviet Union to stop testing and producing nuclear weapons and hold immediate negotiations to reduce the number of warheads. (Reuters)

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PANAMA CITY — Panama's control over air traffic in the Panama Canal Zone to the Panamanian government Tuesday.

The transfer of the air control tower, an island radio station and administration building from U.S. control to Panama control was done under the terms of the Canal Treaty, signed in 1979.

**China Disavows Communist Party Of Indonesia**  
The Associated Press

JAKARTA — In a bid to normalize relations with the United States, China's Foreign Minister Qiao Qubai has disavowed the Communist Party of Indonesia, a report said Wednesday.

In an interview with the Associated Press, Qiao said that since the 1965 coup in Indonesia, in which the Communists were crushed, most of the former party leaders have been killed or imprisoned. "There is no place for them in our country," he said.

After the coup, he said, the Communist Party of Indonesia was suspended from China in 1973, and a decision by Beijing not to allow the Communist Party of Indonesia to participate in the Communist Party of China's 11th National Congress in 1982.

Since 1982, Indonesia has been a member of the United Nations and has been a member of the Non-Aligned Movement, he said.

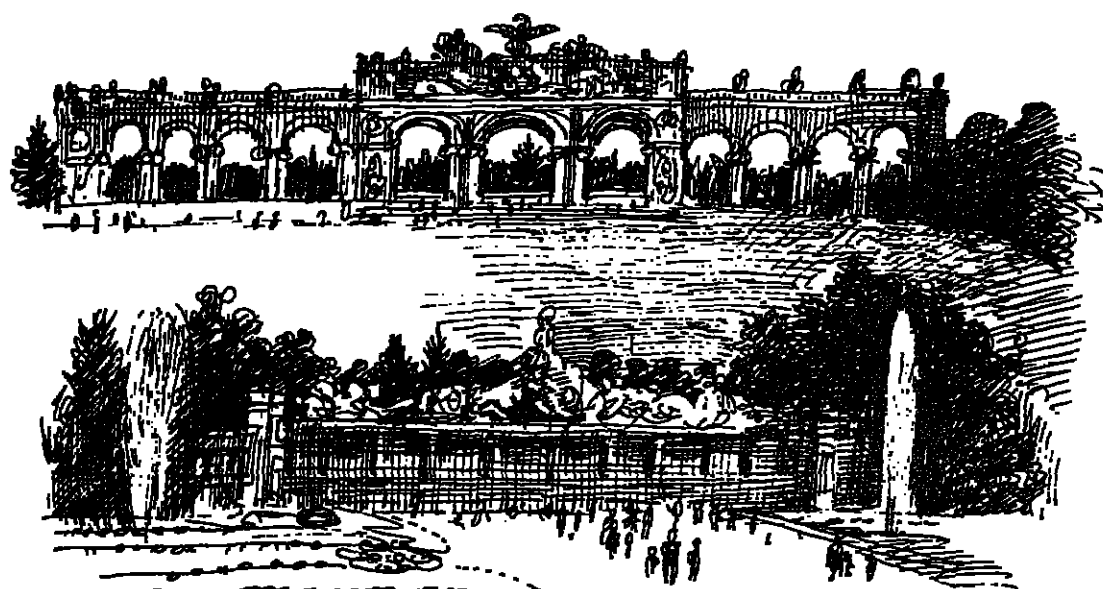
**Panel Dies**  
A panel of the House of Representatives that was set up to investigate the 1965-66 Indonesian killings has died. The panel, which was chaired by Rep. Charles Stenholm, D-Texas, was unable to complete its report before the end of its term.

The panel was set up in 1982 after the passage of the Indonesia-United States Friendship and Consular Accession Act, which required a report on the killings. The panel was composed of Rep. Stenholm, Rep. William E. Brock, R-Mich., and Rep. Charles Stenholm, D-Texas.

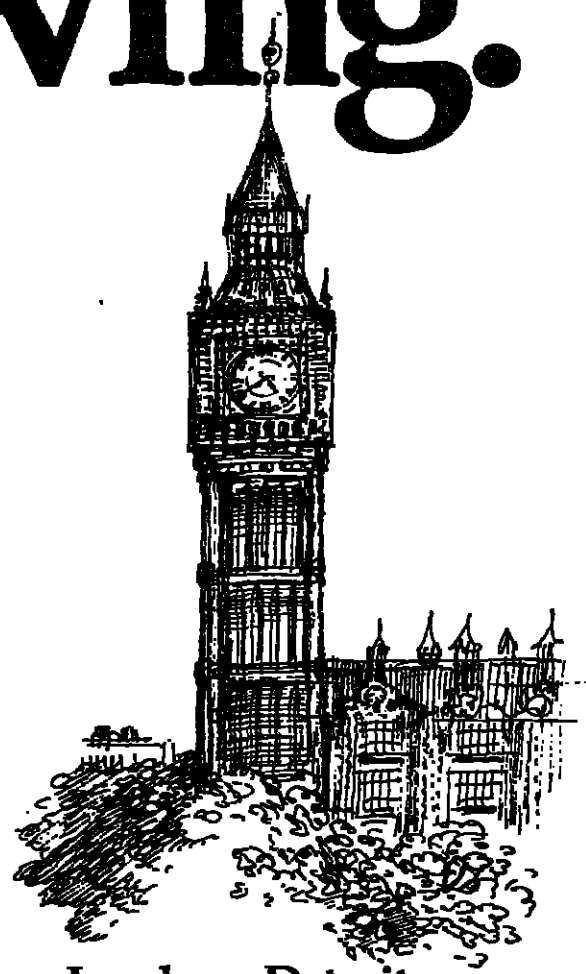
The panel's report was expected to be released in the summer of 1985. It was expected to be a critical one, given the panel's composition and the fact that it was set up to investigate the killings.



**Hamburg — New York**  
New daily nonstop 747



**Vienna — New York**  
New 747 service



**London — Detroit**  
New nonstop 747 service



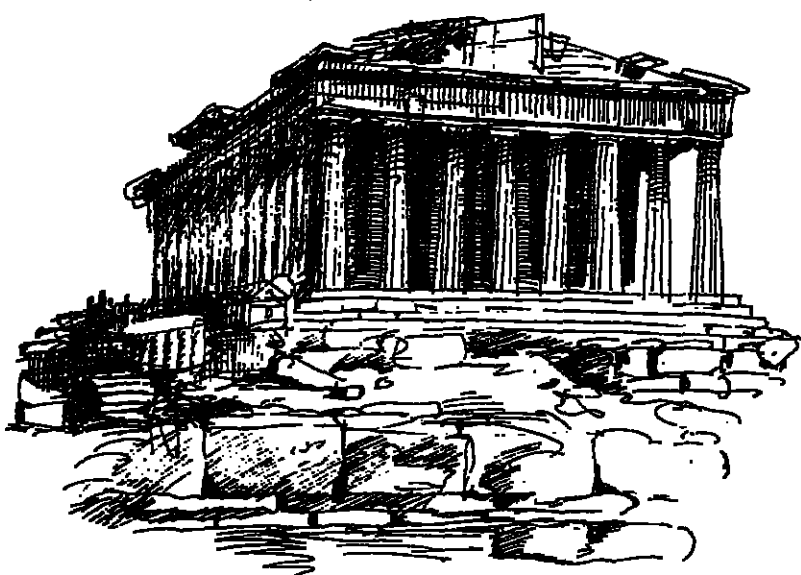
**Frankfurt — California**  
New daily 747 nonstop to Los Angeles and on to San Francisco



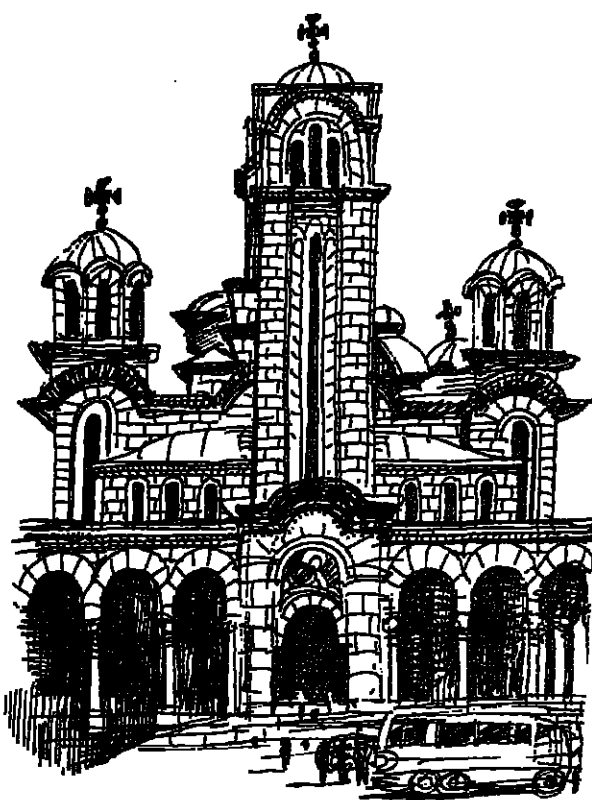
**Amsterdam — U.S.A.**  
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**Athens — Los Angeles**  
New daily service



**Belgrade — New York**  
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**Warsaw — New York**  
New exclusive daily service

In 1985 Pan Am's service will keep on growing. That means more nonstop flights from cities we already serve, plus new flights to even more cities throughout Europe.

So whether you're flying within Europe or to America, Pan Am is now an even better choice.

But there's more good news.

In Europe we'll be using our new Airbuses, so you can travel in wide-bodied comfort. Across the

Atlantic you'll be able to experience our new refurbished 747's with more space for business.

If you're flying to New York you'll find Pan Am the only airline with all its flights, both international and internal, under one roof, and Pan Am serve over 40 U.S. cities.

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## Pan Am. You Can't Beat The Experience.®

## TIME

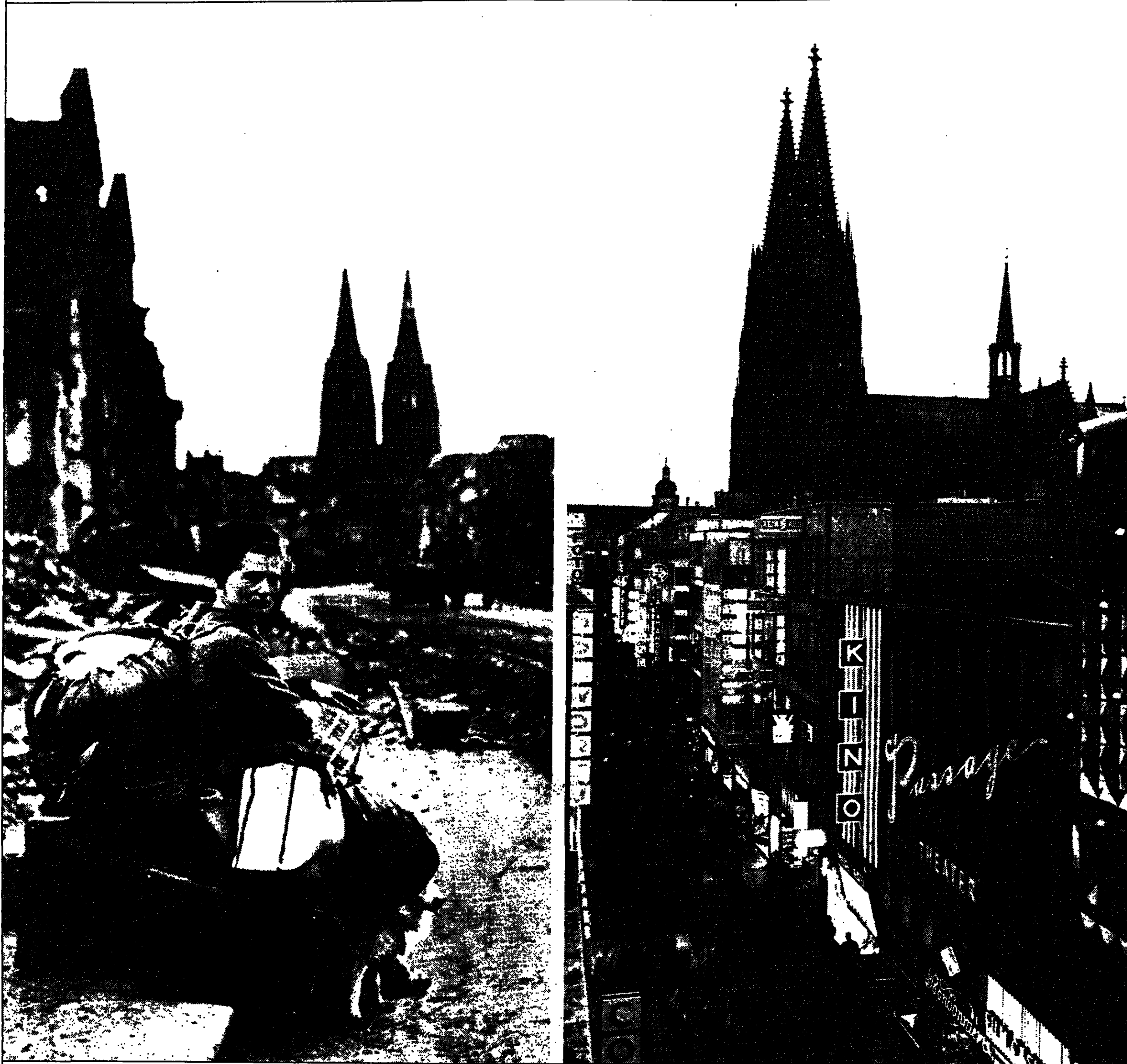


Photo: Florea—Life

Photo: Bildarchiv Huber

# Phoenix rising

*TIME Magazine commemorates VE Day by reflecting on forty years of peace, prosperity and problems.*

VE Day marked not only the end of one of history's greatest catastrophes, but the beginning of one of its greatest miracles. In its cover story this week, *TIME* Magazine surveys both the astounding successes and the sometime failures of postwar Europe.

*TIME* observes that the profoundest change resulting from the war is in the way Europeans see themselves. The power they wielded for centuries passed, on May 8, 1945, to the Soviet Union and the United States. The end of the war initiated forty years of material gain. But, for many, a mere consumer society is an inadequate substitute for the old sense of national identity.

But *TIME* goes on to say that by buying

each other's products, reading each other's books, even sharing each other's disappointments in the present, the nations of Europe are discovering common cause. They are building economic, cultural and social ties that may one day lead to political union.

*TIME* also appraises the two great European anomalies: Germany divided and hoping for reunification without being sure that it is possible or even desirable; and the East Bloc, caught between Western influence and Soviet domination.

History for one generation, memories for another, *TIME*'s very comprehensive overview celebrates the 40th anniversary of VE Day by celebrating human endeavor, achievement and courage.



**More goes into it.**



## SCIENCE

## DNA Duplication Links Ancient and Modern Life

By Harold M. Schmeck Jr.  
New York Times Service

**H**UMAN genetic material, largely undamaged after 2,400 years, has been extracted from an Egyptian mummy and grown in the laboratory. The achievement is the most dramatic of a series of recent accomplishments using molecular biology to study links between modern and ancient life.

Details of the recovery of DNA from the mummy were published in the journal *Nature*. The achievement, by Dr. Svante Paabo of the University of Uppsala, Sweden, is believed to be the first in which DNA, the genetic material in all forms of life, has been duplicated from an ancient human or any other specimen of such antiquity.

In a telephone interview, Dr. Paabo said he now hoped to find genetic material from viruses in mummy tissues. This would be a great aid to the study of the evolution of viruses over thousands of years in the human population.

Scientists of the University of California at Berkeley recently detected DNA in a sample of muscle from a mammoth that died 40,000 years ago. Last year the same group extracted and reproduced DNA from an African mammal called a quagga that became extinct a century ago, a relative of the zebra and the horse. This was the first time such a biochemical resurrection had ever been achieved with the DNA of an extinct animal.

Study of evolution is moving increasingly into the realm of molecular biology and chemical analysis done in the laboratory.

Fossil evidence, collected carefully over many years, had led scientists to believe the evolutionary line that led to humans diverged from that of the apes more than 25 million years ago. But comparison

of blood substances from humans and chimpanzees indicates the divergence was much more recent, perhaps no more than five million to seven million years ago.

In the early 1970s, many paleontologists considered the suggestion of this more recent date to be rank heresy. But much more evidence has been found, including persuasive data from analyses of DNA.

Dr. Allan M. Wilson, leader of the Berkeley group, said changes in a mammalian species' DNA that occur over time could be used as an

evolutionary clock. The DNA from cell nuclei changes at the rate of about 0.4 percent each million years. The DNA from important intracellular structures called mitochondria evolves at a rate approaching 2 percent every million years. Mitochondrial DNA is much studied, partly because of its more rapid evolution.

Detection of DNA in a specimen of muscle from the mammoth was achieved by Dr. Russell Higuchi, chief molecular biologist of the Berkeley laboratory. The mam-

moth calf is believed to be the best-preserved example of its species ever found.

Dr. Higuchi is trying to grow pieces of the 40,000-year-old DNA in bacteria, a process called gene cloning or molecular cloning. It could produce enough of the scarce DNA for extensive studies. In a limited sense it would also be a feat close to bringing the genetic material back to life, since it would be reproducing in the bacterial cells as they grew and multiplied.

The fact that DNA in detectable amounts has survived for 40,000 years has given the scientists hope that genetic material of other long-vanished species may be found and studied in the laboratory. Further support for that hope has come from the achievement by Dr. Paabo and his colleagues.

The scientists at Berkeley have been pursuing ancient traces of life in the form of DNA in several species, including an extinct relative of the bison, called the steppe bison, that was frozen in the last ice age and uncovered several years ago in Alaska. No DNA has been detected in this sample nor in tissue from a recently discovered, unusually well-preserved specimen of the moa, an extinct flightless bird from New Zealand.

The research team in California detected DNA from an insect preserved for 40 million years in amber, but the traces were too sparse for analysis by current methods.

Dr. Higuchi said his efforts to clone DNA from the mammoth calf were being frustrated by some unknown chemical from the mammoth. It has halted the action of enzymes that must function to splice the ancient DNA to a carrier molecule that will enable it to enter and be activated by the bacteria.

Success in the effort to clone DNA from the mammoth would make possible a close calculation of the evolutionary distance between these animals, which became extinct about 10,000 years ago, and the two living species of elephants. Earlier studies, in which the blood protein albumin from the mammoth tissue was compared with the

comparable substance from modern elephants, conclusively linked their heredity.

Accounts of research on cloning portions of DNA from the mammoth have led to public speculation concerning another kind of cloning: the regeneration of a whole mammoth by inserting the complete archive of DNA from one of its cells into the embryo of an elephant. But Dr. Wilson and Dr. Higuchi said this is so far from practical reality as to be hardly worth discussing.

While mammoth tissues have survived, Dr. Wilson said, the membranes of cells have apparently all been degraded, so that most of the material from the cell nuclei has leaked out or been destroyed, leaving only about one-100,000th of the DNA that must have been there originally.

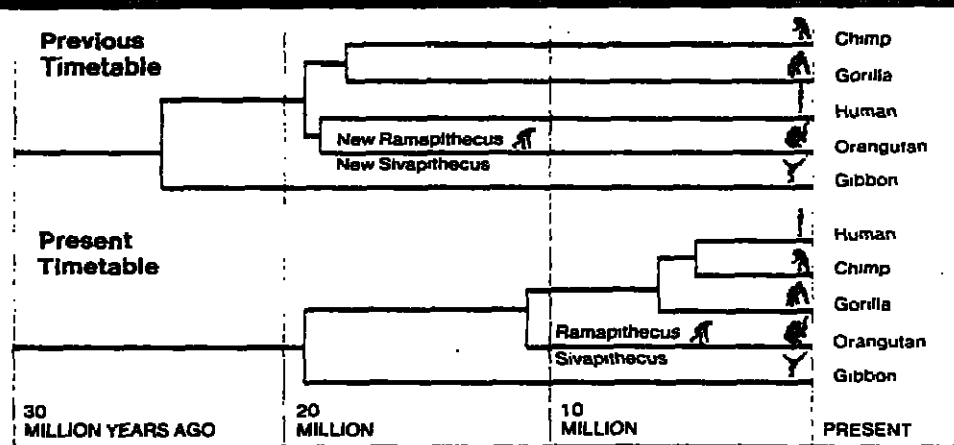
But that fact does not diminish the potential value of cloning pieces of genetic material from an extinct species. In particular, he sees the research on the mammoth DNA as a stepping stone for research on more important species. He has his eye particularly on studies that might clarify the relationship between Neanderthal man and modern humans, a subject that has puzzled scientists since the first Neanderthal fossils were found more than a century ago.

For thousands of years, the two closely related human subspecies apparently lived in what is now Europe and the Middle East. Probably both hunted mammoths. But the genetic relationship between *Homo sapiens sapiens*—modern man—and the now-extinct *Homo sapiens neanderthalensis* has always been a mystery.

Last year, scientists from the University of Florida found 8,000-year-old human remains in a remarkable state of preservation in a Florida peat bog. DNA has been recovered from these ancient human tissues. Dr. William Hauswirth of the university said that, so far, attempts to clone the DNA have not been successful.

He and Dr. Wilson are encouraged, however, by the very fact of

## Updating Evolution with DNA



finding so much intact tissue in ancient human remains. They say this suggests that the alkaline conditions of the peat bog may favor the survival of DNA over remarkably long stretches of time. The chemistry of bone also tends to protect DNA from degradation.

Since ancient human artifacts have been found in European peat bogs dating from the time when Neanderthals were still alive, Dr.

Wilson said it might be worth searching for their bones in such sites and testing for intact DNA.

No such specimen, however, has yet been found. Furthermore, such a find would be considered too valuable for any of it to be spent in the destructive testing required to extract DNA, unless there was evidence that genetic material could be used for valuable studies.

It is in this sense that the success

in cloning DNA from a mummy and the research on the mammoth could be vital stepping stones. The age of the mammoth tissue is particularly important in that respect. Only if current biochemical studies verified that DNA could be usefully extracted from a sample of comparable age would anybody consider extending portions of any fossil related to humans for attempts to find and study its DNA.

## IN BRIEF

## Robot Helps Remove Brain Tumor

LONG BEACH, California, April 18 (UPI)—A robot arm the size of a kitchen mixer, described as safer and more accurate than a surgeon's hand, has helped doctors remove a tumor in what is believed to be the first application of robotics in human brain surgery.

The three-hour operation was performed on a 52-year-old man at Memorial Medical Center of Long Beach. Dr. Yik San Kwok, who developed the computer program that makes the arm work, said the machine would never replace a surgeon but was a major improvement in the way brain tumors are located and removed.

The arm holds a probe that guides the surgeon through a hole drilled in the patient's skull and down a narrow tube to the tumor. The patient's head is held in place by a frame that contains the coordinates of the tumor. The robot is accurate to within 1/2,000 of an inch.

## New Treatment for Lead Poisoning

NEW YORK (NYT)—Pharmacologists at Columbia University's College of Physicians and Surgeons report that a simple, effective method for treating lead poisoning promises to save millions of dollars a year in hospital costs.

In the current issue of *Clinical Pharmacology and Therapeutics*, the group, headed by Dr. Joseph Graziano, said a two-year study showed that a chemical called 1,3-Dimercaptosuccinic acid, or DMSA, "dramatically" reduces lead levels in the blood.

Existing lead-poisoning therapy requires hospitalization and a series of injections with potentially serious side effects. DMSA treatment is easy and comparatively safe, the researchers said. The drug, which is administered as a pill, does not appear to remove such essential metals as iron, zinc or copper.

## Plant Species 'Hitchhike' on Cars

DETROIT (AP)—Automobiles not only help people spread across the land, they also are responsible for large migrations of plant species, according to professors reporting at a workshop on biogeography at the 81st annual meeting of the Association of American Geographers.

"Hitchhiking" of seeds on cars has made roadsides a crazy quilt of alien and, in some cases, highway hybrids have been formed. Professors Robert Frenkel of Oregon State University, Nigel Wace of Australian National University and Richard Stalter of St. John's University in New York reported.

Professor Wace, examining the sludge accumulated at a car wash in Canberra, found 258 plant species, many of them transported hundreds of miles. The sprouting of seeds from ornamental plants imported to Australia is "becoming a problem in pastures," he said.

## Halley Sighting Recorded in 164 B. C.

LONDON (UPI)—The earliest known recorded sighting of Halley's comet is on a Babylonian clay tablet dated 164 B. C., a British researcher has reported in the journal *Nature*.

Professor F. R. Stephenson of the University of Durham said another tablet in the British Museum also recorded a sighting in 87 B. C. He said the two dates provided crucial information for astronomers studying the evolution of the comet's orbit.

Professor Stephenson said appearances of the comet, due to pass over the Earth late this year for the first time since 1910, had previously been identified only as far back as 12 B. C.

## Ruins of Indian City Found Undersea

NEW DELHI (AP)—Divers searching the Arabian Sea bed near Dwarka, one of the seven great Hindu pilgrimage sites, believe they have found remains of the original site of Dwarka, legendary capital of the Hindu god Krishna, according to newspaper reports.

Earthenware and other artifacts that can be attributed to Dwarka have been found off the coast of Gujarat state in western India, newspapers said. They said archaeologists believe ancient Dwarka was established about 1500 B. C., but was submerged by the rising Arabian Sea in the following 200 years.

Dr. S. R. Rao, leader of the team of divers and scientists, was quoted as saying that discovery of the city seal, depicting a bull, a unicorn and a goat, established a link between ancient Dwarka and the Middle East.

## U.S. Doctors Saving Faces In 3d World

By Lynn Simross  
Los Angeles Times Service

PALO ALTO, California—Cesar Cano was 11 when the team of American surgeons first saw him. For almost a year, he had been in a hospital in Medellin, Colombia, about 200 miles (325 kilometers) northwest of Bogota, where doctors could do little for him.

The boy had been horribly burned by a gasoline explosion. His face, neck and upper body were severely damaged, his hands deformed.

St. Francis, a Peace Corps worker who knew his family, contacted Interplast Inc., a group of volunteer doctors based in the San Francisco suburb of Palo Alto, and asked for help for Cano. Surgeons from Interplast examined him and decided his injuries were so grave that he would have to be brought to the United States for extensive operations.

Interplast is a nonprofit organization of plastic surgeons, nurses, pediatricians and anesthesiologists and others who travel to many developing nations to do reconstructive surgery on children who have been burned or have other severe injuries or birth defects. Sometimes, as in Cano's case, the youngsters must be brought to the United States.

"Cesar is pretty unusual for an Interplast patient. There are a couple of other exceptions, but most don't stay here so long," said Amy Laden, a social worker who started out as a volunteer with Interplast and is now a full-time staff member. Cano is now 17 and has been in the United States for six years.

Laden has made about 15 trips abroad, spending long hours talking with and reassuring parents who must decide whether to send their youngsters to the United States for more difficult surgery.

"I haven't had one family refuse yet," she said, sitting at Cano's side. "It is really tough for them to let them go, but they realize they have a better chance for medical help."

Once the youngsters are here, Laden lines them up with volunteer host families and assists them in adjusting to culture shock. Laden, who is fluent in Spanish, helped Cano with his early adjustment to life in California, and now converses with him in English.

Cano feels he has adjusted to living in the Palo Alto area and going to school in between reconstruction periods. "I am just as happy here now as I was in Colombia," he said. This week he is scheduled to have his 12th operation.

So far, he has had enough reconstructive surgery on his hands that he can hold a pencil or pen and draw and paint.

Interplast doctors donate the operations, and in most cases Interplast pays for hospital care, unless it is provided by another nonprofit organization. About half of Interplast's funding comes from foundations and corporations, said the organization's executive director, Mary Cottrell.

Interplast volunteers travel to Latin America, Western Samoa, the Philippines, Africa and Jamaica. Recently, Interplast Australia was formed with the support of Australian Rotary clubs and the Royal Australasian College of Surgeons.

"But the big donations are few and far between, because most foundations want to do something visible in the United States," said Cottrell. "Most of our work is done in underdeveloped countries."

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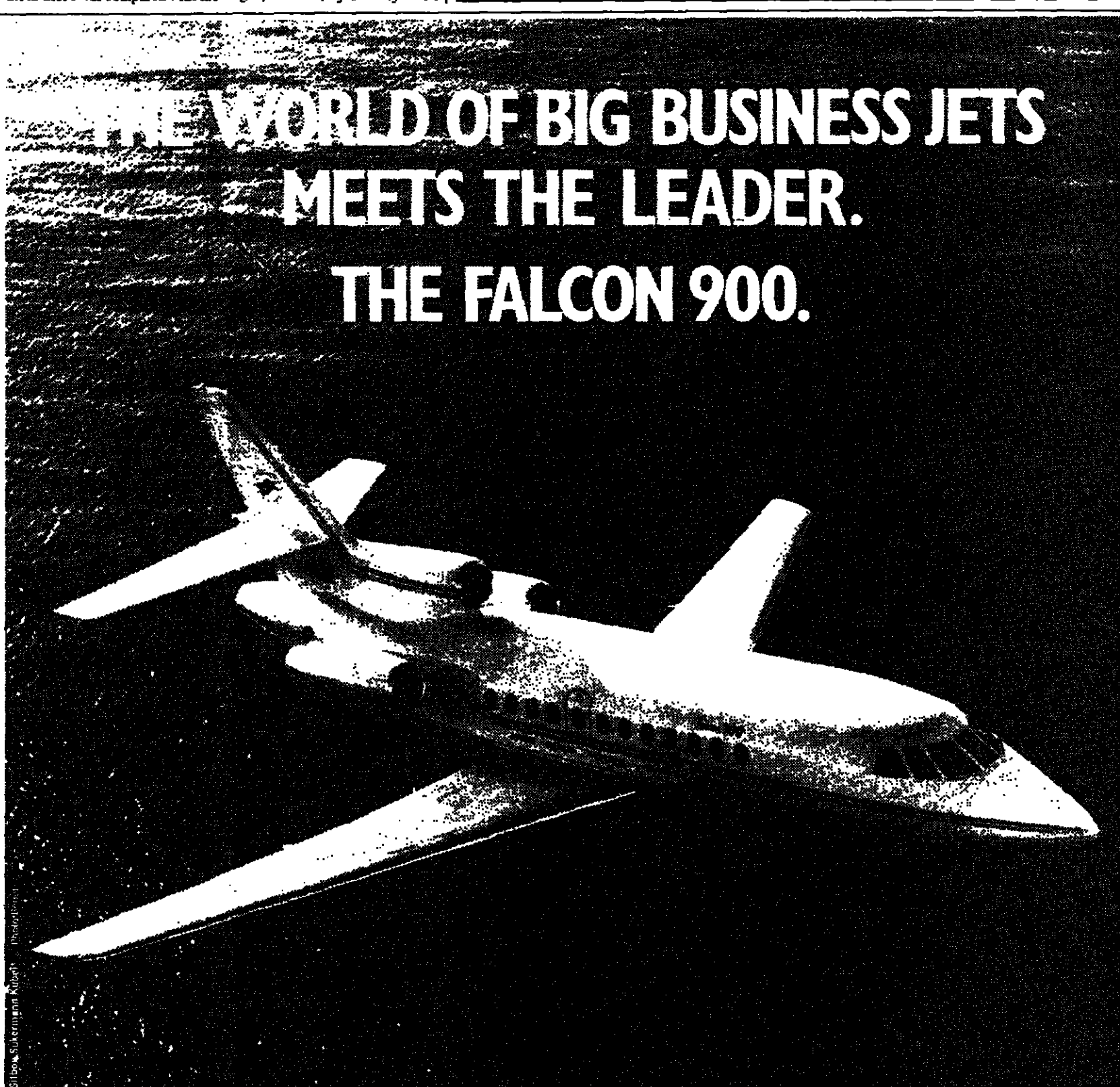
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Italy	Lira	218,000	108,000	59,000
Luxembourg	L.F.	7,300	3,650	2,000
Netherlands	Fl.	450	225	124
Norway	N.Kr.	1,180	590	330
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25-485



A Falcon 900 demonstration flight, January 15, 1985.

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## Business takes off with Falcon



# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## The Way a Recovery Ends

Will April, in T.S. Eliot's phrase, have been the cruelest month? Economic events may be running ahead of the grind up to the summit in May, with U.S. growth weakening and nothing elsewhere to replace it.

The evidence for much slower growth of demand in America is not yet conclusive. Early estimates are always subject to revision. Sometimes they do not even get the direction of change right. But when the so-called flash estimate of what happened in the first quarter (made even before the quarter was over) shows a surprising slowdown and is subsequently followed by an even lower but more complete estimate, the probability of a stagnant American economy becomes considerably more important.

The danger to the world lies not in the U.S. slowdown — at some stage inevitable as the stimulus from the Reagan tax cuts fades and as interest rates are kept high by continued heavy government borrowing. Rather, it lies in the disinclination of other governments to replace the force America has been imparting to a world economy that has otherwise showed signs of weakness.

U.S. officials may have acted unwisely and spoken imprudently. But no good will be done if the response of America's industrialized allies is to say, "We told you so." Statesmanship lies in cooperation, not vituperation. If the world economy is weakening because of a dwindling U.S. boost, it must be strengthened elsewhere.

When a U.S. economic slowdown means the boost that America's rising import bill has given the world in recent years is withdrawn, it is hardly profligate and inflationary to suggest that other rich countries

should replace it by encouraging stronger domestic demand. And elementary economics dictate that if a cheaper dollar, so long desired by all, is to reduce the U.S. trade deficit — and the associated protectionist pressures — Europe and Japan have got to take accompanying measures.

A weaker dollar will not correct the deficit unless other countries make sure that their own demand is sufficiently buoyant to absorb additional imports from the United States and to enable their own producers to sell in places other than America.

The reluctance of important Western governments (including Japan) to recognize these simple truths is disturbing. Their policies seem now excessively concentrated on the reduction of their own budget deficits, regardless of the economic conditions surrounding them. There is no magic number — zero, for instance — for the bottom line in the budget. What is appropriate varies with the prevailing relationship between private saving and investment, and also with the general level of resource utilization and employment. The world will be ill-served if governments forget that the budget should balance the economy, rather than the economy balance the budget.

Europe and Japan are not faced by imminent economic collapse. But if they do nothing to offset the probable weakening of American growth, their own growth will taper off, too. Recession, in Eliot's words, will come not with a bang, but a whimper, and it will bear heavily on the Third World countries struggling to increase their exports so as to be able to service their debts on time.

INTERNATIONAL HERALD TRIBUNE

## Coke: Those Vintage Years

The year is 1995 and we are at a blind tasting sponsored by a national organization of connoisseurs — Les Amis du Soda-Pop. The man sitting at the table clears his palate with a handful of Cheez-its, pours from an unlabeled one-liter plastic bottle, sips and makes the appropriate moustache-washing noises.

"Definitely pre-1985 Coca-Cola," he says. "A touch less fructose, slight taste of cherries with undertones of Hershey bar and a distinctive caffeine finish. Needs a few more years in the bottle," he tells learned colleagues.

"Au contraire," says a companion after tasting. "A 1981 Pepsi — perhaps one of the suburban northern New Jersey bottlings. Still a little rough, I'm afraid. It is a good soda-pop, but hardly a great soda-pop."

Welcome to the era of vintage colas. It was inaugurated Tuesday by Coca-Cola Co., which announced "the most significant soft-drink development" in its history: a new taste for Coke. It is "smoother, rounder and bolder," said Coca-Cola's chairman, Roberto C. Goizueta. According to other sources in the company, it is also a little sweeter. Whatever it is, Coke hopes people will look on 1985 as a very good vintage, the first of many.

The change was made because Coke, while still the world's No. 1 soft drink, was losing ground to the company's own Diet Coke and to rival Pepsi, which had a sweeter taste than

Coke. PepsiCo Inc. greeted the change as a sign of panic on the part of its adversary, and took out ads that said, "After 87 years of going at it eyeball to eyeball, the other guy just blinked." That "eyeball-to-eyeball" business was coined immediately after the U.S.-Soviet nuclear missile crisis in 1962 and continues to be reserved for world-altering confrontations.

Bill Cosby, an American comedian, will be promoting the new, sweeter Coke in a series of television commercials, and never mind that you might have seen him recently on TV promoting Coke on the grounds that it was less sweet. Apparently less sweet is not what most young people want, and what young people want, they appear to be getting.

Some will cling stubbornly to the old, however, storing away Coke from what they consider to be the good years, pre-1985, in temperature-controlled cellars, bringing it out in dusty bottles for special occasions. Fine restaurants will maintain leather-bound cola lists, and people will seek to impress their dates by sending back inadequate bottles. Eventually a rare 1956 six-ounce (0.18-liter) Coke in the distinctive thick green bottle will be auctioned at Sotheby Parke Bernet for \$50,000 to a man who will keep it in a place of honor on his mantle until one night, tired of looking at it, he will drink it with a bag of potato chips.

— THE WASHINGTON POST

## Other Opinion

### Change in Southeast Asia

It is now 10 years since the fall of Saigon and, apart from the dreadful fate suffered by the Vietnamese people, few of the bad consequences that were expected to flow from the American defeat have materialized. The rest of Southeast Asia has not fallen victim to communist subversion like a row of dominoes.

Vietnam itself is a hell on earth, with a formidable army equipped by the Soviet Union. But so far this potential threat to her neighbors has proved far less destabilizing than the Russians must have expected, perhaps because the awfulness of communist rule in Vietnam has killed off any desire among other Asian peoples to travel down the same literal dead end. More encouraging still is the astonishing recovery that the United States itself has made from what amounted to the worst defeat in its history; a total recovery of nerve to the point where some Western allies are now fearful that President Reagan's America may have again become overconfident.

Possibly the most useful practical lessons from the Vietnam debacle have been learned by the American armed forces, who are determined never again to make the same mistake. Thus it can be hoped that if the United States

does feel compelled to intervene militarily in Central America, the action will be swift, overwhelming and decisive, instead of in dribs and drabs as happened in Vietnam.

— The Sunday Telegraph (London)

### Missing the Point on Bitburg

Time that works to heal wounds can also weaken memories that deserve to be kept strong. President Ronald Reagan, who should know better, has suggested that the SS graves in the West German military cemetery that he plans to visit next month are those of very young men, children almost, impressed into service in the last months of the war and free from any association with the crimes of the Nazi era. The president has even suggested that those buried at the Bitburg cemetery, like those who died in the concentration camps during the Nazi period, are equally victims of Hitlerism. To believe this is utterly to miss the point of what the SS was all about and what the controversy over Bitburg involves.

Who is buried at Bitburg is unimportant. It is the SS insignia on certain graves there that are of paramount significance and that make a presidential visit to the site inconceivable.

— The Los Angeles Times

## FROM OUR APRIL 25 PAGES, 75 AND 50 YEARS AGO

**1910: Halley's Comet Corrupts Town**  
SOUTH NORWALK, Connecticut — The prospect of seeing Halley's comet made almost everyone here get up at three o'clock [on April 15]. Had it been visible everybody would have seen it. Why it was not visible is something everybody is too sleepy to talk about. Councilman John Paul is authority for the statement that there was drinking in town. He states that every drinking person took at least one drink before three o'clock and that after three o'clock the drinks taken were at the stars in the firmament. It was not until breakfast that hope of seeing the comet was abandoned. The person who started the report that South Norwalk and the comet would come within seeing distance decided to keep his identity a secret after he saw the effects of the false alarm.

**1935: Light Is Said to Have Weight**  
NEW YORK — Evidence that light has weight was presented to the National Academy of Science by Dr. Robert J. Trumpler, of Lick Observatory, who, measuring light waves from light stars and heavy stars, found that the light from the heavier stars was stretched by its effort to escape into space. Dr. Trumpler admitted that the equation at first seemed nonsensical and said: "What actually happens is that the light waves require to expend some of their birth endowment of energy in escaping up in the heavy gravitational field surrounding the star." By long observation of large, hot stars, Dr. Trumpler has differentiated between red shift in spectra known as the Doppler effect, due to the motion of the stars themselves, and red shift, resulting from relativity.

## Japan Must Adopt Principles of Free Trade

By Bob Packwood

WASHINGTON — In the international trading system, there is no "free lunch." Fairness requires that everybody contributes to the check. That includes Japan.

Reaction in the U.S. Congress to Japan's insular trade practices reflects a coalition of the two principal elements of Capitol Hill trade philosophy: free-traders and protectionists. Since the postwar trading system was created, Congress has always had members who favor protecting U.S. industry with high tariffs, quotas or other restrictions, and members who prefer to let the competitive chips fall where they may in a free-trade environment. The free-traders are the majority, of which I am part.

Both sides find common ground in their mutual willingness to limit Japanese access to the American market. For free-traders, such a limitation offers a lever to open the Japanese market; for protectionists, the aim is to close the market for free-traders, genuine access to the Japanese market will end efforts to limit access to our market; for protectionists, no Japanese-market opening will diminish their desire to shield our industries from foreign competition.

Japan can remove the foundations of this coalition by significant improvements in access to its market — but must do so quickly. Notwithstanding Prime Minister Yasuhiro Nakasone's appeal to the Japanese consumer to buy U.S. goods, the consumer is not the problem: America can compete in Japan's markets, but only if it is allowed in.

Japan must remove tangible barriers — for example, quotas on imports of meat, fruit, vegetables and leather; high tariffs on processed food, tobacco, chocolate and other products; burdensome testing, labeling and certification procedures; and impediments to the importation of services.

We are told that many of these barriers benefit powerful political constituencies and that their removal would be painful. This is understandable and familiar but cannot be an excuse for a failure to act. We in Congress also are subject to political pressures. But if we believe in free trade, we do not bow to them.

A televised plea by Mr. Nakasone



"Welcome! Welcome!"

to the Japanese people to respond to the trade crisis was courageous. But it reflected a double standard. He begged Japan's industries to accept adjustment to competition, but suggested only a vague timetable.

Although we can sympathize with the plight of uncompetitive Japanese industries faced with sudden foreign competition, and may even admire Mr. Nakasone's sensitivity to the plight of dislocated workers, we must remember that Americans have been paying this price for some time. We have accepted a loss of jobs in uncompetitive industries. But we will not accept a loss of jobs in competitive industries because of an inability to overcome barriers that preserve jobs in uncompetitive foreign industries.

We will not accept Japanese excuses that assume that it would be easier for our system than Japan's to cope with such adjustment.

Congressional foes of protection-

ism, and domestic industries with important exporting interests, have long argued that erection of protectionist barriers would invite retaliation by countries denied access to the U.S. market. For example, U.S. agriculture consistently has resisted protectionism for our textile, auto and steel industries in the knowledge that such protectionism threatens foreign markets for our agricultural exports. This free-trade position has successfully deflected protectionist initiatives.

Thus, free trade rests on a pragmatic foundation. It is based on the proposition that protection for one industry will be paid for by another industry; that, in addition to lost export opportunities, protectionism erodes consumer purchasing power. In the final analysis, free trade is a form of enlightened self-interest. It is this idea that Congress is intent on applying to the Japanese.

Japan's export-led development

has depended upon access to other markets. Tokyo must now understand that Japanese industries that have enjoyed this access will have to pay the price of protection given other Japanese industries.

The fury over U.S.-Japan trade does not reflect resistance to competitive Japanese exports — autos or otherwise. It does not reflect the fact that America's \$37-billion trade deficit with Japan is likely to grow to \$45 billion this year. Rather, it is a question of opportunities denied to competitive U.S. industries.

The trading system can survive only if its benefits are equitably conferred on all countries. Congress is insisting that Japan adopt the basic principles of free trade.

The writer, a Republican of Oregon, is chairman of the Senate Finance Committee. He contributed this comment to The New York Times.

## Democracy Fails to Halt Slide in Bolivia's Fortunes

By Ernesto Aranihar

LAPAZ — When the late Tancred

Neves was elected president in Brazil, the cover of an international edition of Newsweek magazine read "Good Morning, Democracy." It reflected a euphoria for "rational utopia," as the Council on Hemispheric Affairs called it, as Brazil and Uruguay followed Argentina in replacing despised dictatorships with civilian governments. But the very expectation of "resurgent democracy" may constitute its greatest weakness.

Bolivia experienced the same euphoria in October, 1982 when a constitutionally elected government took over from one of the continent's most heinous and corrupt military regimes. In the words of a Uruguayan political leader, the Bolivian transition had created a "brilliant" example for Latin America's people by coming to power without violence, under the protective canopy of national unity.

But since then few have mentioned Bolivia in terms of hope. Given the country's lead in the movement toward democracy, its steady deterioration is shattering "rational utopia" in

one nation and poses a potential danger to the rest of the continent.

The international public has gross misperceptions of today's Bolivian problems: that it is a country incapable of combating drug traffic, and is refusing to pay its foreign debt.

These problems are the legacy of military regimes. It remains unacknowledged abroad that it was not the democratic government, but rather its military predecessors, that suspended Bolivia's debt servicing to the international private-banking sector and fell behind in repaying multilateral agencies and foreign government creditors — an obligation amounting for more than 70 percent of Bolivia's total public-sector debt.

Even though no fresh money has been forthcoming from the international private-banking sector since 1979, Bolivia's civilian government has been forced in the last two years to pay up front for essential imports that are disconnected to restrictions and obligations imposed by regional

or bilateral agreements. In effect, there exists an international financial blockade against the La Paz government for the past six years of military regimes that largely oversaw the contraction of such debts — a condition that is beyond any justification.

For all its profound political and economic difficulties, the Bolivian government has dealt with its debt-inheritance responsibly. The new government's first move was to renegotiate the 26 percent of its public debt that was owed to Brazil and Argentina, and to significantly standardize its multilateral obligations.

In 1983, it resumed the payments in an effort to surmount the international blockade. La Paz devoted about \$317 million in scarce export earnings to foreign creditors. That may seem a paltry sum abroad, but it represented 42 percent of the country's total export revenues, and almost 10 percent of its gross domestic product, at a time when export earnings were halved due to nonpayment

to Bolivia of money owed to it by some neighboring countries.

Complicating the crisis further was the devastating 1983 drought, which cut domestic agricultural production by nearly 25 percent.

But these sacrifices have not been fully appreciated abroad. Though last year our economic situation became practically unbearable, La Paz continued to honor its commitments to multilateral agencies.

Nevertheless, when the government announced that it would have to suspend temporarily its debt-service payments to foreign private banks (a move that the former military regime had undertaken with much lesser consequences), the world community reacted harshly.

Even otherwise neighborly South American governments halted programs over the debt-servicing move.

Given the one-way sacrifices that characterize the austerity adjustments by neglect of Latin America, Bolivia's troubles could be — and have been — easily dismissed by foreign observers wanting full compliance with contractual obligations. This is a dangerous mistake.

The country's economy is being strangled, and with it the last hopes for consolidating democracy in Bolivia. With an inflation rate of more than 2,000 percent in 1984, our people are bearing the grim, day-to-day burdens of the economic crisis. Minimal basic needs are not being met. Now the democratic fabric that has tenuously bonded the country's disputatious provinces for the past two and a half years is unraveling.

Bolivia once again is becoming ripe for violence, and if democracy is extinguished, the country will be irremediably a sanctuary for South American's many cadres of displaced dictators and organized drug mafias. The threat that Peruvian-style Shining Path terrorists will arise out of poor rural areas is increasing.

Considering Bolivia's location in the heart of the continent, such a development presents grave implications for the still fragile democratic governments surrounding it.

International attention must be brought to bear if only to avoid intensifying by neglect the destruction of Bolivia's economy, as well as its fledgling democratic experiment. One of the most intelligent and constructive ways to welcome democracy to South America and encourage its consolidation is for the West to open its eyes and to develop immediate and medium-term economic and diplomatic ventures that will guarantee the institutionalizing of responsible and constitutional government.

The writer served the current Bolivian government as minister of finance and minister of planning. He contributed this to the Los Angeles Times.

## America Experiences an Identity Crisis

By William Pfaff

BOSTON — In mid-April, Senator Daniel Patrick Moynihan returned to Harvard, where he once taught, to deliver a series of lectures on social policy. He returned to a subject that once made him notorious, that of family and poverty.

Twenty years ago his remarks about the plight of the fatherless black family and the persistence of a culture of ghetto poverty were taken, by the ignorant, the innocent or the mischievous to be "racist."

At Harvard this year, delivering the Godkin Lectures, he said that children in the United States have become the most severely affected victims of poverty and family disintegration. He deplored the lack of a national family policy, America is the only industrial democracy which does not have such a policy. It does not even simply declare that "it is the policy of the American government to promote the stability and well-being of the American family; that the social programs of the federal government will be formulated with that in mind."

One reason there is no family policy, however, is that a fundamental change has taken place in the United States in recent years. It no longer is easy to answer the question of what norms are to be accepted as proper for American society's organization.

The traditional family is a social unit repudiated by a certain number of Americans. The idea that the state should attempt to influence the rate of divorce, or of illegitimate births, or concern itself with the single-parent family (which makes up 19 percent of all families with young children), or with sexual roles and sexual "preferences," is rejected by a great many people.

The Reagan administration also is hostile to social intervention, not because it is indifferent to issues of value, but because it holds that the social programs of the Great Society kind made things worse, not better, for the inner city family.

This is an argument for which there is some evidence, although the matter is very complicated. But it also reflects an extremely narrow view of the responsibility of government, when confronted with distress on the scale that now exists among certain groups in the United States. Moreover, many current

programs and policies of government affect the condition of the poor, and the family, whether they are meant to do so or not.

At the heart of the larger issue is a change in how Americans define themselves. In the past, the United States was considered by the vast majority of its citizens an Anglo-Saxon Protestant nation, with the social and ethical responsibilities following upon such an identification. Moral, religious, and racial minorities in the United States lived on the majority's terms. If you were a Catholic, Jew, or nonbeliever,

you expected, and demanded, the right to be left alone to live as you saw fit. But you could not be unaware that your position imposed disabilities upon you in the life of the larger society.

There was intense pressure to conform and assimilate. The public schools indoctrinated immigrant children in the language, culture, and patriotism of the Protestant majority. This is the principal reason immigrant Catholics created their own school system in the 19th and early 20th centuries.

The piety of government and schools was Protestant. It was a major development in American history when an Irish Catholic, John F. Kennedy, was elected president in 1960 — only after submitting to public cross-examination upon the supposed conflict between his religious and political duties by a group of Protestant clergymen.

Since the 1960s, the idea of a national morality and of a national ethnic-religious identity has all but disappeared. This has left a void.

The "Moral Majority" and other evangelical Protestant political action groups have recently been attempting to establish their version of the Protestant ethic as, in practice, the national code, but this is

not going to succeed. The interpretation of constitutional law, as it has presently evolved, will not permit it, nor will the non-evangelical majority tolerate it. The country, in practice, no longer is Protestant. In real terms, it may no longer be even a Christian country, or a Judeo-Christian one — given the religious indifference and ignorance of many of those who are at least nominally members of those traditions.

The Puritan sense of "darkness, quiet and intrinsic limitation" which animated American society for three centuries is gone, or wholly secularized. Demographic change — the flood of Latin and Caribbean Americans, and Asians, who have entered the country since the 1960s — makes it impossible to think of America in the old way.

Six percent of the population is foreign-born. More than 10 percent, 23 million people, speak a language other than English at home. The Asian population totals 3.7 million. The North American share in American immigration has fallen to about 10 percent. There has been something like a collapse in controls on illegal entry from Central America, Mexico and the Caribbean. Bilingual, or minority-language, public education is now a demand in many communities.

The elite, or elites, the country once possessed, of Puritan New England, but also the regional patricians of the Atlantic seaboard, South, and West, have been unseated or dispersed. Community leadership is now wholly mercenary — or plutocratic. Few any longer accept a code of public responsibility or obligation that is linked to inherited position or inherited religion.

The national culture, the unifying culture, is provided more by national television than by schools or the private transmission of a coherent code of belief and behavior. It is, thus, thin as paper, and devoid of conscious moral content.

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## A New Look At Aid Is Required

By Jonathan Power

LONDON — Western summits give more time than is commonly supposed to the economic predicament of the Third World. This is a convention that does not date back to the debt crisis, but actually precedes it by several years.

The convention is partly a concession to the French, who feel a passionate philosophical commitment to the destiny of the Third World, even if, in material terms, they do little more than anyone else about it. It is also partly the legacy of the era of Helmut Schmidt, James Callaghan and Jimmy Carter, all intellectually convinced of their responsibility.

At the Bonn summit starting May 2, the subject will be up for discussion again. But, except for the French, the participants will be in an anti-aid mood. The Americans and to a lesser extent the British, the West Germans and the Canadians, are increasingly absorbed by the fundamental question: Does foreign aid work?

While no one is suggesting that emergency food shipments to famine areas be curtailed, Prime Minister Margaret Thatcher of Britain and President Ronald Reagan of the United States are asking what Africa has to show for the billions of dollars poured in over the last 20 years.

It is a fair question and one that liberals too often shy away from asking. Few of them have read the study published by the development assistance committee of the Organization for Economic Cooperation and Development in 1979. It concluded that there is no scientific proof that official development aid has had "a measurable, positive and, in relation to cost, significant effect on development in the Third World."

In 1983, the Institute for World Economy in Kiel, West Germany, compiled a summary of previous studies on the issue for that country's Federal Ministry of Economic Cooperation and added to it its own economic profiles of 80 Third World countries. It found that:

• For most black African countries that have received relatively high amounts of aid it is difficult to determine whether this investment has had any impact on development.

• Development aid has a positive impact in those countries that need it least. It has been most effective in developing countries with medium or above average per capita income, in particular those in Asia.

• If the donors' interest is cost effectiveness, then aid should be concentrated on these countries.

The fact that aid can be shown to work in the medium-income countries — South Korea, Pakistan, Taiwan — tells us something important. If the basic structures of the economy are roughly right, then everything that is put into it will contribute to development. Aid may be small relative to other kinds of investment, domestic and foreign, but if it enables development to be carried out, there should be no second thoughts.

The difficult question is with the low-income countries, particularly the African ones where evidence suggests aid is going into a bottomless pit. In some African countries aid has amounted to 80 percent of total investment. There is clearly no point in going on with this if the structures are so skewed that the money shows no overall return. But there is also no reason to throw in the sponge.

Examples in black Africa show that if the structures are basically right then economic growth does take place. The Ivory Coast, Malawi and Botswana have long track records of success. Zimbabwe has shown with the amazing revolution in the productivity of its peasant farmers — a fourfold increase in production despite the drought — what can be done if the right kind of advice is given.

With aid so important an ingredient in the budget of most African countries, donors do have the potential for leverage. This is why the World Bank is doing so important. Its recent effort to persuade Western governments to lend it \$1 billion for aid projects in Africa was contingent on persuading African governments to loosen the shackles of intervention, to restore market economies and to allow the independent functioning of basic price mechanisms.

The World Bank probably should go further. It should recognize more openly that few African countries have the administrative skills to make development work. The four African countries that have been successful all have large expatriate populations. It is time this issue is confronted squarely, upsetting though it might be to African self-esteem.

If the summit is merely an occasion for conservative spirits to retrench on aid, then this will be the easy way out. The hard way is to confront the liberals and the Third World lobby with the facts and offer to maintain and even increase aid if the conditions for success are introduced. Africa must not be allowed to sink into decline and despair because of the superficiality of the aid debate in the West.

Jonathan Power, in "Democracy Is Winning, but the Betting Stays Open" (April 6), purports to see a global evolution of democracy on a phased basis. Entering the democratic fold and staying in it are two different things. Democracy endures only in countries with long distinct seasons. Democracy does not flourish under the tropical sun.

BENJAMIN N. BROWN, New York.

## LETTERS TO THE EDITOR

### Stop Raking Up the Past

Having had most of the Lithuanian-Polish-Ukrainian side of my family deported and/or exterminated by the other great dictatorship of the era, I know that Nazi-type crimes are not peculiar to Germans and that there is a time when it is necessary to stop raking up the horrors of the past.

It is right for President Reagan to visit the site of a concentration camp. But it seems short-sighted to state that he cannot visit Bitburg cemetery because Waffen SS members are buried there. As late as 1944, thousands of young Germans entered the Waffen SS for about the same reasons that Americans were joining the Ma-

ries instead of waiting for the draft — it was an elite fighting force.

HAROLD O. J. BROWN, Klosters, Switzerland.

### Democracy and Seasons

Jonathan Power, in "Democracy Is Winning, but the Betting Stays Open" (April 6), purports to see a global evolution of democracy on a phased basis. Entering the democratic fold and staying in it are two different things. Democracy endures only in countries with long distinct seasons. Democracy does not flourish under the tropical sun.

BENJAMIN N. BROWN, New York.

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# BAHRAIN

A SPECIAL ECONOMIC REPORT

INTERNATIONAL HERALD TRIBUNE, THURSDAY, APRIL 25, 1985

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## Tax Increase Gives Economy a Surplus Despite Downturn

MANAMA — Bahrain was the only Gulf state to emerge from another year of recession with a small budget surplus, but the slowdown in economic growth seems likely to persist during this year.

The government, which had forecast a small deficit for the second consecutive year, managed to end the fiscal year in January with a surplus of 10 million dinars (\$27 million).

This sharply contrasted with a gap of 50 million dinars between revenue and expenditure during the previous year, according to the undersecretary of the Ministry of Finance and National Economy, Isa Boursaid.

Conceding that "there was hardly any growth" last year, with actual total expenditure amounting to about 535 million dinars, compared with 532 million dinars the year before, he explained that the surplus was the result of a rise in taxes combined with a further trimming of expenditures.

The budget surplus is more significant in light of the mixed results on the earnings side. This partly explains the government's resorting to a tax increase as a method of boosting its income, after having issued 50 million dinars worth of bonds to achieve the same result.

The new measures consisted of raising customs on luxury goods, including alcohol, private cars and nonbasic items such as perfumes.

Fees on licensing and commercial registration were also increased, according to Mr. Boursaid. The extra earnings were partly offset by a drop in another important source of government income, namely grants and loans from Saudi Arabia, Kuwait and the United Arab Emirates. Originally promised 56 million dinars last year, Bahrain received only 37 million dinars, Mr. Boursaid said.

Oil remained the biggest source of government revenue, accounting for two-thirds of the total last year. Returns from sales of crude produced by the Abu Saafa field, an-

other direct Saudi contribution to the Bahraini economy, provided twice as much income as Bahrain's only oil field. Saudi crude also feeds Bahrain's only refinery through an underwater pipeline, making up for the progressive decline in Bahrain's output, which is expected to come to a halt before the turn of the century.

While oil's share in the country's gross domestic product is expected to continue falling, a promising increase in nonassociated natural-gas production could temporarily make up for the impact on the refining industry and provide feedstock for the new petrochemicals project.

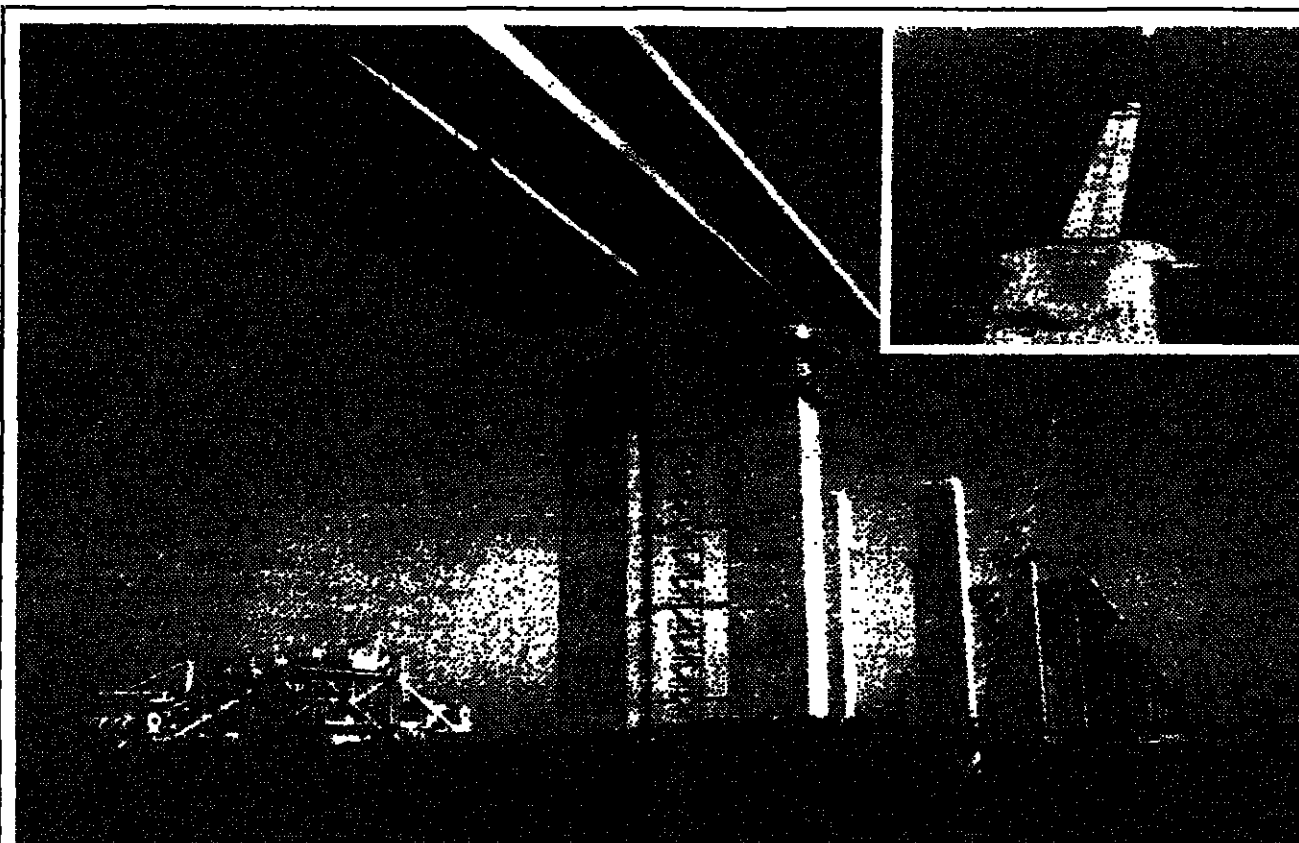
Last year witnessed growth in the industrial sector, indicating that it is likely to increase its share of the gross domestic product. Industry accounted for a little more than one-fifth of GDP last year, which was the highest rate in the Gulf.

Two new industrial projects seem to point to a new direction for the country's industrialization drive: One is the Gulf Petrochemical Industries Co., which will put Bahrain among the Third World's petrochemical producers; the other is an aluminum-sheet plant, which will create a new outlet for Bahrain's aluminum smelter.

Pointing out that Bahrain's industrial ventures have come a long way in improving their competitive edge, the minister of development and industry, Youssef al-Shirawi, said that the gap between the cost of production in Bahrain and Europe has been narrowed from 60 percent to 20 or 15 percent.

Like other labor-importing countries in the area, Bahrain has continued laying off expatriate labor, a measure that has served the double purpose of streamlining recurrent expenditure and contributing to the contraction of the economy by cutting local consumption.

The full in business activity con-  
(Continued on Next Page)



The last link is put into place on the causeway between Bahrain and Saudi Arabia. Inset, detail of construction work on the 25-kilometer (15.5-mile) route. The highway is almost complete. Article inside.

## Saudi Tie Means New Adaptation For Development

By Olfar Tohamy

MANAMA — Coinciding with the Gulf's economic downturn, the building of the causeway between Manama and Saudi Arabia has spotlighted the issue of Bahrain's future role in the region. It has also given a sense of urgency to the need for defining the parameters of state and private participation in the island's development.

Although the opening of the causeway is more than a year away, speculation over its impact on Bahrain's economic and social environment has prompted a flurry of government assurances. In the absence of detailed studies on future trade prospects, officials have sought to paint a rosy picture of the prosperity the new link will bring to Bahrain.

Since the decision to go ahead with the project, totally financed by Saudi Arabia, was made at the highest levels, the officials emphasize that friendship and good will between the two governments will determine the results of the small Bahraini economy's sudden opening up on the Gulf's largest market.

There is fear of competition, which is natural, said Youssef al-Shirawi, minister of development and industry. "They say we are not protected, the Bahrainis will come and take our jobs; the Bahrainis say the Saudi economy is too huge, they will wipe out our trade."

Citing a number of measures taken recently to ensure a smooth transition, Mr. Shirawi said: "We have encouraged the two chambers of commerce to meet, so that each side can state its worries and apprehensions to eliminate disadvantages and allow them to be absorbed slowly." The meeting between the chambers of Bahrain and the Saudi Eastern Province was held in Dammam, Saudi Arabia, during the first week of March and was considered the beginning of a long process of coordination.

The Bahraini government's attitude toward the strengthened ties with the kingdom was summed up by Mr. Shirawi, when he expressed his hope that the causeway would be "used as if it were between two independent, and not two interdependent, countries."

Another cabinet member, the minister of information, Tariq al-Moayed, confirmed the government's awareness about the local private sector's concern. He expressed little sympathy with their fears. "This is going to be a specialized market, and they will have to become competent and efficient," he said, referring to some private ventures that may fail to adapt to the new conditions.

Citing the important issue of Bahrain's small scale of production, which undercuts its competitive edge, Sami Kaiksoo, a prominent Bahraini businessman and banker, echoed the conclusion of others disturbed by the fuzzy picture of the future.

"We'll have to be integrated with Saudi Arabia," he said. He noted that the island's small and isolated market provided local established trade with wider profit margins than elsewhere in the Gulf, and he agreed with the view that the causeway would entail a drop in prices. "Bahrainis must try to take advantage of their exposure to a big market," he said. He expressed his confidence that the long-term impact of the causeway would be beneficial to Bahrain's business community. "Bahrainis will make more money; Saudis will come here to spend money, and Bahrainis will go there to work," he said.

Part of the anxiety in government and business circles stems from an awareness that the island state, whose economy has witnessed a rapid succession of cycles over the last 50 years, is about to enter another cycle. In a few decades, the economy's emphasis has

Part of the anxiety stems from an awareness that the island state, whose economy has witnessed a rapid succession of cycles over the last 50 years, is about to enter another cycle.

shifted from pearl fishing to oil production to services. The quick pace of the changes, necessitating adaptation and entailing structural shifts, has had a profound effect on Bahraini attitudes. But Mr. Shirawi says: "Fifty percent of our development is something we know, we can plan for. The other 50 percent is what happens somewhere else, like in Saudi Arabia and Kuwait...I don't think it is wise for us to have a cast-iron plan."

"We built the causeway for more integration, not for protection," Mr. Shirawi emphasized, adding that more official bodies will be created along the lines of an existing ministerial committee to coordinate matters relating to the causeway's opening.

Mr. Shirawi said that "once you have the causeway there will be an imbalance" which would require time to level off. Bahraini entrepreneurs who represent foreign companies say that at present they are legally protected from foreign competition. But they may have to relinquish their advantage and opt for partnerships with Saudi counterparts, which, because of their larger size, could be more attractive to foreign companies.

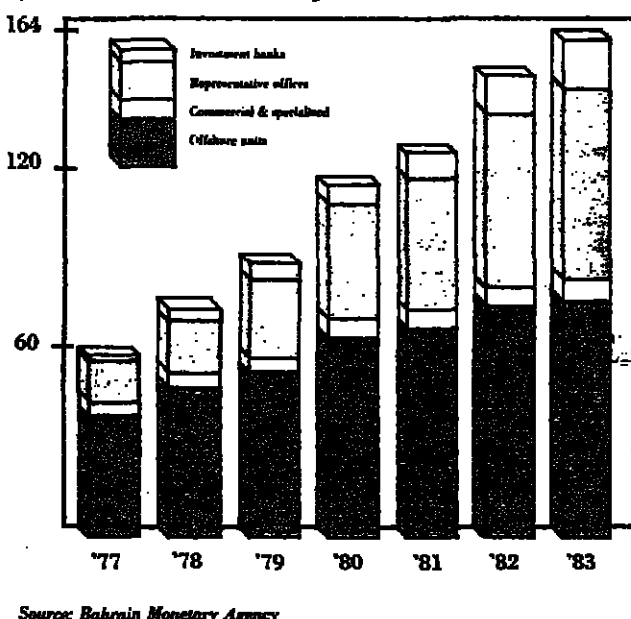
Customs duties, which reduce Bahraini businessmen's edge but provide an important source of government revenue, are expected to be unified. Bahrain is the only Gulf state that has kept high duties on items such as cars, cosmetics and other finished goods, as well as alcohol, which is prohibited in Qatar, Saudi Arabia and Kuwait.

The new link between Bahrain and Saudi Arabia's rapidly industrializing Eastern Province fits in with Bahrain's present drive as a growing industrial service center, Mr. Shirawi said.

He also sees a possibility for (Continued on Page 12)

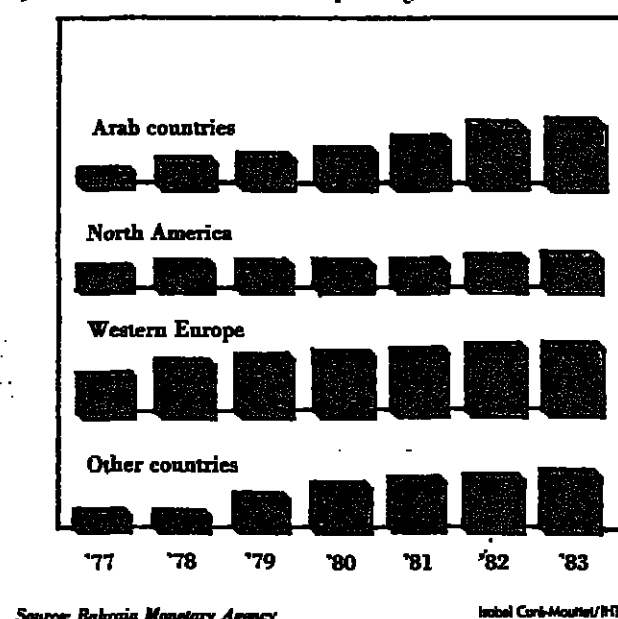
### Banking Sector Grows ...

By 1984, the number of banking institutions more than doubled.



### ... Fueled by Offshore Units

By 1984, 75 offshore units were operating in Bahrain.



## Causeway Buoys Saudi Competition

By Alan Mackie

MANAMA — The industrial climate, like much else in Bahrain, will be radically changed by the opening of the causeway to Saudi Arabia later this year.

In the view of the minister of development and industry, Youssef al-Shirawi, its completion will be the culmination of link-building and regional integration that has been going on since long before the formation of the Gulf Cooperation Council in 1981. It means, perhaps, a difficult adjustment for Bahrain but will also offer opportunities.

Bahrain moved into heavy industry as a way of using its cheap and abundant gas supplies and diversifying out of oil in the late sixties and early seventies, 10 years before such reconversion started in the rest of the Gulf.

As architect of the island's industrial development, Mr. Shirawi's views carry special weight, but he has come for criticism at home for appearing to adopt a tough attitude to the problems facing the private sector while the government has been accused of being too "laissez-faire."

Few would quarrel with the view that Bahrain's special conditions have made life too easy for some sections of the private sector and that now, poised on the edge of a bigger market, they are beginning to take fright.

The private sector is looking to Mr. Shirawi for help and Mr. Shirawi is not one to hand it over on a platter. With the opening of the causeway, traders and manufacturers in Bahrain will have opportunities to start small businesses, he contends. "The aim must be to help the market help itself," he said.

Quite what help the government has in mind is not yet clear; it would seem that Mr. Shirawi wants to wait and see how things settle down after the opening of the causeway will help consolidate the position of those companies like the Bahrain Aluminum Extrusion Co. (Balexco), which already has a foothold in the Saudi market for its products. But for many small businesses, exposure to Saudi competition will be traumatic. They fear the large production runs and overcapacity of many plants on the mainland, not to mention the built-in advantages of land, power and capital subsidies, with which their Saudi rivals bolster up margins.

Mr. Shirawi has always seen Bahrain's destiny as lying in the

## Bank Regulators May Face Efficacy Test

By Kevin Muchring

MANAMA — In the 12 years since its creation in 1973, the Bahrain Monetary Agency has seen the number of financial institutions under its supervision mushroom from perhaps a half dozen local banks to nearly 180 offshore banks, investment companies and representative offices, domestic and specialized banks and money brokers.

That there has not been a single bank run or failure during a period of such rapid growth is one measure of the BMA's successful regulatory blend of flexibility and "preventive medicine." But the marked deterioration in regional risk over the last two years means the BMA could soon be put to a real test.

The agency's primary responsibility is supervising the 18 domestic banks and laying down the country's monetary policies. The BMA also keeps an eye on the bustling offshore institutions that have crowded onto the island in the decade since the offshore-banking policy was first initiated.

In particular, the BMA is expected by the world's other regulatory authorities to supervise the dozen or more wholly Arab-owned offshore banks, which lack affiliations to a parent bank that would be (Continued on Next Page)

## OBU's Scramble for New Markets After a Decade of Steady Growth

MANAMA — Robert Fleming, the British merchant bank not normally given to flashiness, threw a flashy reception last month at the Marina Club to mark the opening of the island's financial community by the island's financial community, the affair was complete with champagne, Scotch salmon and shrimp appetizers, and even a bag-

pipe performance by a Scottish Guardsman flown in from Cyprus.

That Robert Fleming would come to Bahrain so late in the game and still have something to celebrate reflects some of the changes under way in the island's offshore banking community as it approaches its 10th anniversary this October.

The offshore financial institutions, after a decade of dazzling growth, had income from their traditional profit centers sharply eroded last year by the continued economic downturn in the Gulf region and the shifts in the international markets since 1982 away from syndicated lending. They (Continued on Next Page)

## End of Oil Tinges the Good Life With Realism

By Sarah Seagrigh

MANAMA — Bahrain was the first Gulf state to export oil and it will probably be the first to run out of oil. This fact has a sobering effect on the expectations of Bahrainis.

Life has become comfortable on the proceeds of oil but the economy is still 80 percent dependent on that source of revenue, and diversification is expensive, mainly because of Bahrain's dependence on expatriate manpower.

Bahrainis, thus, are coming to realize that they themselves must provide the expertise in future. Parents are determined that their children and grandchildren grow up knowing that they will have to work if they are to continue to enjoy the comforts of life. Most young Bahrainis have jobs.

Muharrar has its own development problems, which a group of conservation-minded Bahrainis is trying to control. Moreover, its vitality is threatened by the departure of its wealthier inhabitants for spacious suburbs such as West Rifa'a, made fashionable by



Expatriate workers enjoy Bahrain's sunshine and water.

the preference of the ruling family for its breezy escapism.

Life is generally comfortable for most Bahrainis now, as well as for Western expatriates. The fact that Bahrain is one of the few countries in the Gulf (along with Oman and the United Arab Emirates) where consumption of alcohol is allowed shows its general tolerance of foreign habits. During the last decade, helped by generous subsidies from more prosperous neighbors, there have been the same crash programs here to develop modern housing, education, health and so on.

The upper mercantile class, whose earlier wealth often derived from pearling, was quick to take advantage of oil develop-

ment to pick up profitable import agencies. The burgeoning civil service and later the banking boom brought new career prospects, and broader education has led to the development of a middle class of Bahrainis conspicuous today in Manama and its dormitory towns, such as Issa and Hamad as well as Muharrar.

The trend is toward nuclear families, with the younger generation wanting their own houses. It is their needs that Hamad is intended to provide for.

The less privileged Bahrainis, often from the Shiite majority, still live in villages in the interior of the island, forming a reservoir of labor which often still depends for its livelihood on traditional occupations — crafts such as pottery, weaving, basket-making or fishing and keeping animals.

The Shiite community, which is on the margin of the new prosperity, is an uncomfortable, destabilizing factor in Bahraini life, activated by the revolutionary figure of Ayatollah Ruhollah Khomeini in Iran, but also motivated by the Shiite tradition of an emotional, extrovert Islam.

A conspiracy to overthrow the government in 1981, which was foiled, was found to have emanated from the Shiite community, which has been carefully policed ever since. Iranians who came to Bahrain in the economic boom of the late 1970s have been strongly encouraged to return home with

the slowdown in economic activity.

Leisure is a growing industry in Bahrain, evidenced by ambitious plans to build a 6-million dinar (\$16-million) seashore "paradise" at Zallaq on the w.e.t. coast, south of the new causeway being built to Saudi Arabia on which the resort would depend for much of its clientele. In the current atmosphere of economic realism, many Bahrainis are skeptical about the project.

Picnics are always popular, especially when the sun sets during the Ramadan fast period and families set out for parks with rides for the children and grass for the leashed to lie on.

The gold souk, an attraction for local as well as international shoppers.



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Summarised Balance Sheet as of September 25, 1984 (SR)

Capital & Reserves	3,200 Billion
Deposits	51,620 Billion
Loans & Advances	20,030 Billion
Total Assets	57,615 Billion
Total Liabilities	90,633 Billion
Net Profit for the year	499 Million
US\$ 1 = SR. 3.56 approximately	

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## A SPECIAL REPORT ON BAHRAIN



Two students study computer technology at the Gulf Technical College.

## Domestic Banks Moving 'Down Market'

MANAMA — Bahrain's bankers have discovered the small to medium-sized merchant. Armed with briefcase and pen, they are lining up at his shop with offers of overdrafts, letters of credit, term loans, advice on how to improve his cash flow or better structure his balance sheet.

The sudden star status of the smaller merchant, defined as having a sales turnover of between 100,000 dinars and 1 million dinars (\$270,000 to \$2.7 million), stems from the stiffer competition among the island's 18 domestic banks as they move "down market" in search of continued lending growth.

Up to this year, the domestic banks had largely avoided the misfortunes of their offshore cousins. They were better able to weather the region's economic downturn due to the greater resiliency of the Bahraini economy and its broader diversification from oil.

The banks' consolidated assets grew nearly 9 percent to more than 1.8 billion dinars in the year ending last September, compared with a 4-percent gain registered by the offshore banks. Total lending surged by nearly a quarter to more than 721 million dinars, and reasonably healthy returns were recorded; among them, a 5.6-percent gain in net earnings to 13.2 million dinars by the National Bank of Bahrain, which dominates the market.

But indications are that 1985 will not be as rosy. Growth in liabilities to the end of the third quarter to fund the asset growth, for instance, came almost entirely from new government de-

posits, which jumped 463 percent to 248 million dinars from 44 million dinars. On the other hand, customer demand accounts from the private sector, which form the core of the cheaper deposits so appealing to a bank's profitability, declined about 17 percent to 162 million dinars. Total time and savings deposits from the private sector fell during the same period by 5 percent to 560 million dinars.

Furthermore, the potential market is small: Population, including the expatriate community, barely totals 400,000. There is only so much growth in imports or construction such a small population base can support, especially when several of the last big government projects are drawing to a close. The share of total lending for trade and construction fell to about 50 percent from 60 percent a year ago, according to Bahrain Monetary Agency figures.

Thus, the banks are refocusing their strategies toward new markets such as the small to medium-sized merchants, who were previously ignored because of the lower volume of business and the perception of higher risk. But the risk, if properly assessed and collateralized, is rewarded with the far higher margins that can be charged.

British Bank of the Middle East has opened a network of automatic teller machines to capture a larger share of the retail end of the business, and it is concentrating some of its lending resources on the manufacturing sector. Although still relatively small, industrial lending is the

fastest-growing sector for the domestic banks, its share having doubled since 1983 to 15 percent.

Several of the banks are also looking for growth abroad. Perhaps the most interesting example is the expansion of the Bank of Bahrain and Kuwait to other Third World markets rather than to London or New York, where the competition has trimmed margins below the risk represented. It opened a branch in Bombay last year and plans to open new branches in Karachi and Istanbul this year.

While there are 18 banks with full commercial licenses to operate in the domestic market, four banks dominate with at least 80 percent of the loans and deposits: National Bank of Bahrain, the Bank of Bahrain and Kuwait, Al Ahli Commercial Bank and Standard Chartered. Most of the other banks, such as Citibank or Chase Manhattan, have kept a low profile in the domestic market, concentrating instead on offshore operations.

But the market shares held by the big four, not to mention their profitability, will undoubtedly come under pressure from the recent entry into the market of the Bahraini Saudi Bank. Formed with an authorized capitalization of 50 million dinars and containing a diverse base of shareholders from both Saudi Arabia and Bahrain, Bahraini Saudi will have to go after the existing client base of the other banks if it is to show reasonable growth.

— KEVIN MUEHRING

## Bank Regulators May Face Efficacy Test

(Continued From Previous Page)

under regulatory supervision in its home country.

Key to the BMA's regulatory policies is the exhaustive amount of reporting required by all the banks, whether domestic or offshore. In 1983, the BMA began to require more comprehensive disclosure in the accounts of the banks, including a more detailed classification of assets by country and maturity, and more specific data on the largest loans and loans to directors.

Particular emphasis has been placed on problem loans and the level of provisioning against non-performing loans, which, according to BMA definitions, is any loan whose interest is more than 90 days past due and therefore cannot be added to the profit-and-loss account.

The BMA's charter, according to its creators, was designed with "permissive clauses" to give the authorities considerable flexibility in dealing with the banks on an indi-

vidual basis rather than setting policy through strictly defined ratio guidelines.

Thus, while there is no formal lender-of-last-resort clause in the BMA charter, the agency will clearly stand behind any of the domestic banks, and while the offshore banks do not have the guaranteed access to BMA facilities, there is also little question the BMA would work with shareholders or other financial institutions to intervene should one of the offshore banks suffer liquidity problems.

The offshore banks have no reserve requirements imposed on them (one of the main reasons they are there) nor are there any formal capital-adequacy or loan-to-deposit ratios. The domestic banks are required to set aside only a minimum of 5 percent in cash deposits against their dollar-denominated liabilities and 1 percent against foreign-currency liabilities. The capital-to-asset ratios of the banks, in fact, range from a "low" of 6 per-

cent (high by standards elsewhere in the world) to a high of 30 percent, according to the BMA.

The BMA is also responsible for directing monetary policy and ensuring adequate liquidity for the domestic system. It maintains a discount window to which the domestic banks have access and it will also lend short-term dinars, with government relief bonds or the bonds issued by the Aluminium Bahrain company as collateral. Overnight and one-week dollar/dinar swap facilities have also been available since 1975.

The BMA has established a strict dollar/dinar exchange rate, pegging the dollar at 377 fils to the dollar since 1980, under the theory that stability removes the incentive to speculate in the currency.

Last year, hoping to enhance competition among the domestic banks, the BMA also instituted a prime lending rate, to be posted by the domestic banks and currently at about 11 percent. The BMA also

imposes a lid on the interest a domestic bank may pay on dollar-denominated deposits, which is based on a sliding scale of 6.5 percent for a one-month deposit and up to 8.5 percent for a 15-month deposit. The rates on deposits placed for longer than 15 months are open to negotiation.

The ability of the BMA to see its policies through probably lies with its strong lines of communication with the banks rather than with implicit enforcement powers. To its credit, it is largely free of the political in-fighting with the banks that has characterized the regulatory situation in Kuwait.

But the political backing of the BMA by the Bahrain government is perhaps best illustrated by the fact that the prime minister himself, Sheikh Khalifah bin-Sulman al-Khalifa, is its chairman — in a situation where the BMA would have to take on a powerful group of shareholders, best bets are on the BMA.

## OBUs Seek New Markets After Decade of Growth

(Continued From Previous Page)

have been scrambling for new markets ever since. The search has led some of the better managed and more innovative institutions into a broadly based international presence or toward the services and instruments one would normally associate with that of the investment banker.

These developments over the last year or more mark a certain maturation in the Bahrain offshore market. Future growth is likely to be less in numbers — the consolidated assets of the 77 offshore units seem to have settled into the \$60-billion to \$62-billion range — and more in the diversity of products and services, and in new capital-market instruments, in both the primary and secondary ends of the market. The growth in lending to the re-

gion has been hurt by the Gulf war, and the sharp downturn in spending and the Souk al-Manakh debt crisis.

Assets denominated in regional currencies, for instance, declined 10 percent to \$9.9 billion, or 16 percent of the total, its lowest level since the offshore units came into existence.

Unfortunately, many of the units, especially the Arab-owned ones (with the exception of Arab Banking Corp. and Gulf International Bank), have been unable to counter lower regional growth with an expansion into the international arena. Several developments in the international markets went against them.

The first was the shift away from the spread lending in the syndicated-loan market, especially the sov-

ern risk, that so many of the Arab units built their asset growth on in the late 1970s and early 1980s. The international debt crisis caused the market to dip for two successive years.

Arab Banking Corp.'s president and chief executive, Abdullahi Saadi, has always argued that the syndicated-loan market was not only a means of putting assets on the books but also of buying time to build in-house assessment capabilities and middle-level management depth necessary to penetrate new markets.

Both Arab Banking Corp. and Gulf International Bank, for instance, while taking their blows in the lost revenue of the smaller syndicated-loan market, have replaced it to some degree with a larger presence in the capital markets. Arab Banking Corp. managed some \$4 billion of bond issues in 1984, while Gulf International Bank managed an even larger \$6.5 billion in new issues. Both have sizable investments in marketable securities.

But the bulk of the other Arab units failed to broaden their range of assets or to deepen their management expertise, and are only now trying to get a toehold on the capital markets through the secondary market or as the end investors in the flurry of Eurozone paper underwritten and placed by the bigger and more muscular investment and merchant banks.

These developments have led to a more sharply defined tiering of the offshore banks in Bahrain, not only according to their size, but also to their real and perceived

market strengths and weaknesses. And this tiering is also shaping the strategies of the banks in 1985.

Arab Banking Corp. and Gulf International Bank, which between them hold a third of their own by virtue of their size, solid shareholder support and success in expanding their international presence in the major markets.

Perhaps best reflecting the direction many offshore units will have to take in the years ahead is the Arabian Investment Banking Corp., known as Investcorp. Like Arab Banking Corp., it has made a few spectacular investments, such as last year's \$135-million Tiffany's purchase, but it is perhaps its unusual management structure, along the lines of a limited partnership, and its well-thought-out long-term strategy that the other banks may want to emulate. It has also turned in two successive years of reasonable profits, with earnings last year rising by 9 percent, to \$11 million, and its return on equity to 22 percent.

The offshore units are also trying to gear up their investment capabilities to win a greater share of the private-sector surplus capital that is currently being handled by the big Western investment houses.

Ultimately, the health of the offshore units and their profitability will depend on their ability to develop middle-level management expertise so they can better penetrate the international bond markets where so much of the lending business is going to this year.

— KEVIN MUEHRING

## Tax Boost Creates Surplus

(Continued From Previous Page)

turned to cast its shadow on Bahrain's important banking sector. The depressed demand for commercial-banking services, coupled with unpopular measures adopted by the banks to cope with the negative tide, including raising already high interest rates on lending, seem not to have prevented even the long-established banks from sharing the consequences of the squeeze. The National Bank of Bahrain's profits fell by 14 percent, largely because of high provisions for bad and doubtful debts.

With cash-flow problems ram-

nant throughout the region, and influential solidly based private enterprises such as Saudi Arabia's Fahd and Ali Shobokshi group of companies proving not immune to shake-ups, caution is spreading among Bahrain's 76 offshore banking units.

Originally set up to serve the region and link it with the outside banking world, they are now looking for more opportunities outside the region, and many have decided to reduce their exposure in Kuwait and Saudi Arabia.

— OLFAT TOHAMY



## A World Recession And Glut Diminish Dependence on Oil

MANAMA — Bahrain's dependence on oil is diminishing, but the decline owes as much to the contraction in oil revenues as it does to the expansion of the nonoil sector.

The 1985 budget estimates oil and gas income at \$957 million, 62 percent of total revenues. Given the world recession and the oil glut, the shortfall could be as much as 5 percent to 10 percent, placing financial pressure on the government and highlighting Bahrain's need to generate more nonoil income.

However, Bahrain's economy will continue to remain heavily dependent on oil because of investments already made in capital and jobs in downstream activities, especially refining.

On top of production from the Dukhan field, which is nearing the end of its life, Bahrain also obtains cash income, budgeted in 1985 at \$554 million, from its half share in the production of the offshore Abu Safa field, which Saudi Arabia operates. This estimate, made in late 1983 before the latest OPEC price and production cuts, is probably too high.

In recognition of the need to maximize oil revenues to make up the shortfall, the Dukhan field is being given the most intensive workover in its 51-year working life.

"We are considering enhanced (tertiary) recovery and are doing some of it now," said Mohammed Saleh Sheikh Ali, the general manager of Bahrain National Oil Co. (BANOCO), the state-owned company that now produces and markets Bahrain's oil. "We are looking at new techniques, water flooding, steam injection and have already done some oil solution."

These attempts have been successful in stemming the decline of the aging field. Production in 1984 held at 41,800 barrels a day for the second consecutive year after falling briefly to 39,000 barrels a day. At peak production in 1970, the field was producing 77,000 barrels a day.

Mr. Sheikh Ali is confident that Bahrain will be producing oil for much longer than the estimates of a decade ago. But as the field enters its terminal phase, recovery forecasts become more difficult, dependent on the development of new technology and the way the field is handled. Drawing too heavily, for instance, on an exhausted or problematic well could cause a collapse that would cut the oil-bearing strata and jeopardize recovery of the remaining oil in it.

Some experts believe that careful exploitation could raise the level of

recoverable reserves significantly. Even raising the level of such reserves by 1 percent would amount to a major addition to the field's total yield.

There is another reason why every extra barrel produced from the Dukhan field counts double. The Bahrain Petroleum Co. (BAPCO) refinery is still the mainstay of the island's economy. Built more than 50 years ago, it employs 3,000 people, a high proportion of whom are Bahrainis. Since the slump in the oil market in 1982, it has been making losses because it buys the balance of feedstock not provided from the Dukhan field from Saudi Arabia at OPEC prices and sells its products at market prices that are determined by much lower spot levels.

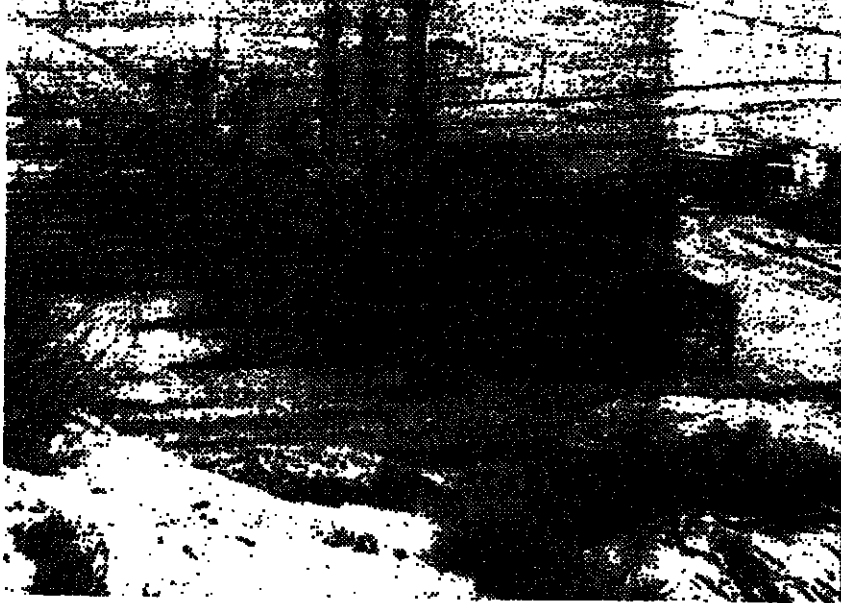
In February 1983, production was down to 67,000 barrels a day, just over a quarter of capacity, because of poor market conditions. Production for 1984 was 202,000 barrels a day against an average of 175,000 barrels a day for 1983, but it had slipped again to 190,000 barrels a day last month. To cushion losses, BANOCO, which purchases crude for the refinery, was able last year to buy the odd shipment of cheaper Indian crude, but this is not thought to have amounted to much more than 2,000 to 3,000 barrels a day over the year.

The recent cut in the price of Saudi market crude and the firming in product prices has eased the strain on margins, but the refinery's heavy dependence on Saudi feedstock in present market conditions is worrying.

The huge overhang of refinery capacity across the water in Saudi Arabia is another worry for BANOCO's marketing managers; the Saudi refineries pose competition of a new kind. Bahrain's refinery, the oldest in the Middle East, has kept ahead of the competition by offering specialty blends, which the new Saudi plants will be able to provide as a matter of course. In addition, the Saudi authorities may be tempted to run their refineries at a loss to recoup some of their huge capital outlays. Bahrain's refinery, already long amortized, would find it difficult to compete.

There is very little that BANOCO, which took over responsibility in 1981 for marketing Bahrain's 60-percent share of the refinery and production, can do beyond going to the marketplace and seeking new customers.

— ALAN MACKIE



The Bahrain Natural Gas Company refinery.

## Petrochemical Plant Rises Above Delays

MANAMA — Bahrain's petrochemical plant, a gleaming complex planted like some gigantic designer's mock-up by the sea's edge on reclaimed land at Sitra, is now almost finished and should begin commercial operation before the end of the year.

Its completion on schedule, at well below cost, will vindicate the controversial management policy not to place the main contract turnkey but to supervise the tendering and stock purchasing itself as it went along.

It was a controversial decision because Gulf Petrochemical Industries Co. (GPIC) had no management when it was set up in December 1979, and had to move fast to hire it. Fortunately, market conditions favored GPIC. The Middle East development boom was beginning to wind down and the company found itself in a buyer's market for goods and services.

"We got excellent prices for starting contracts," the GPIC chairman and chief executive, Tawfeeq al-Moayed, said.

Two to three years later, when GPIC was ready to start serious recruiting, the recession was beginning to bite and the company found plenty of technical staff and contractors looking for work. It was an approach that could never have succeeded in a seller's market.

— ALAN MACKIE

As it was, GPIC probably saved \$30 million by not placing the project on a turnkey contract and has made additional savings of around \$25 million on the original \$450-million budget.

The project only began to crystallize after Saudi Arabia, in the shape of Saudi Basic Industries Corp. (SABIC), became involved in May 1980, joining the government of Bahrain and Kuwait's Petrochemical Industries Co. (PIC) as equal partners. SABIC and PIC provided the management and technical impetus to get the project moving.

For Mr. Moayed, an electrical engineer by training and a businessman by vocation, the main difficulty was creating the manpower team. He was conscious of GPIC's lack of technological experience when it came to buying.

"The fact that you haven't dealt with any of these companies made it essential that our choice be very professional," he said. "I looked to SABIC and PIC, who offered their entire resources. We created a technical team by borrowing people from their sites. Then Bahrain made the technical division by molding the experience of the two sides and adapting them to Bahrain's circumstances."

The initial procurement stage was not without problems. "We

had contractors to assist," said Mr. Moayed, "but the decision to buy went back to the chairman. Every piece of wire and equipment had to go through tendering committee."

It was in the nature of the project that large contracts had to be awarded at the outset. But with so many advisers, very little happened. (King Wilkinson of the United States was signed up as project adviser and Van Oord of the Netherlands was called in for the reclamation work, not to mention experts from SABIC and PIC, plus GPIC's own in-house technicians.)

The general manager, Urs Jaggi, takes up the story. "I hated it at the beginning because of the delays," he said. The tendering was very tough, tight and time consuming. It took about a year for the management to run itself in, 12 lost months as far as the project was concerned.

However, the long delays had sent confusing signals to Snamprogetti of Milan, which had been signed up as main contractor in February 1982. Mr. Jaggi thinks they probably gained the impression that GPIC was not serious about schedules and probably wanted to delay commissioning because of market conditions. By late

1983, the project was five to six months behind and progressing at 50 percent of the scheduled rate.

Then Mr. Jaggi went to Milan and had a crucial meeting with Snamprogetti at which the basic misconceptions were straightened out. From then on, no one looked back.

The mechanical completion is still two to three months behind schedule but this time will be made up during commissioning.

The plant commissioning will be the complicated part, according to Mr. Jaggi, but the utilities started up perfectly.

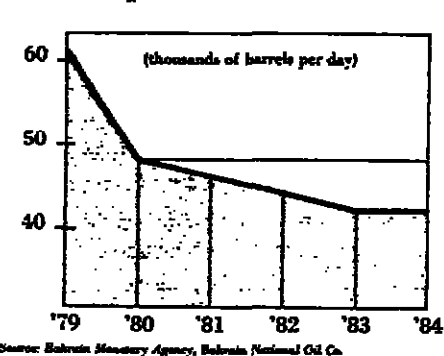
GPIC is being shielded by its partners from the problems of marketing the 1,000 tons a day each of methanol and ammonia the plant will be producing.

SABIC has agreed to pool the methanol production with its own and PIC will do likewise with the ammonia. The agreement would seem to guarantee GPIC an easy entry into the market.

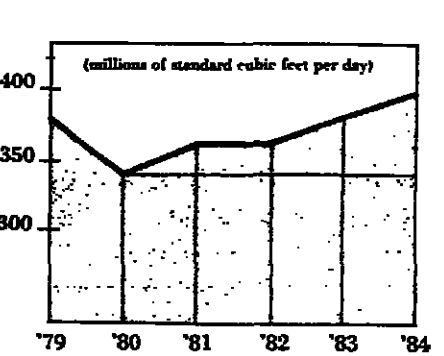
Whether the deal with SABIC on methanol will hold in the face of a major deterioration in the market is another matter.

— ALAN MACKIE

### Oil Output



### Gas Production



## Demand Increases Pressure on Output Of Natural Gas

MANAMA — With judicious utilization, Bahrain should have natural gas until well into the next century. The gas comes from the deep Khuff zone, which runs under Bahrain from Kuwait to the United Arab Emirates.

At current average production of 400 million standard cubic feet (scf) a day (equivalent to 66,000 barrels a day of oil), the Khuff zone should be good for another 50 years. But, to meet industrial demand, the field's production capacity is being raised to 600 million scf a day with the drilling of new wells, and this will reduce the life of the field.

Bahrain's increasing dependence on desalination plants is also making an impact on long-term demand for gas.

Around 40 percent of Khuff production is used for gas injection in the production of oil. This gas is diluting associated gas present in the Dukhan field, which is used as a feedstock for a gas-processing plant. The "cleaned" gas, some 120 million scf a day, is then supplemented by 20 million scf a day direct from the Khuff field to power Aluminum Bahrain's smelter.

Before completion of the small gas-processing plant in 1980, the associated gas from the Dukhan field was flared. The plant, built by Japan's National Gasoline Co., has been one of Bahrain's unqualified success stories, recouping its \$100-million outlay in the first 18 months of operation. Despite the world glut in hydrocarbon products, the plant continues to make good profits for its shareholders: the government of Bahrain, Caltex of Canada and the Arab Petroleum Investments Corp., based in Doha, Saudi Arabia.

However, dilution of the feedstock associated gas with "dry" Khuff gas is undermining the plant's productivity. Designed for a gas intake of 90 million scf a day, the plant is now having to process 139 million scf a day to produce only marginal increases of liquids.

"We have fiddled around with the plant to squeeze more output without significant capital outlays," said the production manager, Terry O'Rourke. The plant's capacity has already been raised from 110 million scf a day to 145 million scf a day but that is the extent of such tinkering. Already, some gas is being flared because the plant is unable to accommodate it and con-

densate yields will inevitably suffer.

However, the operation has been given a new lease on life by the decision to sanction a \$3-million to \$4-million expansion program to remove remaining bottlenecks and raise production to the plant's maximum capacity of 170 million scf a day. Bahrain National Gas Co. (BANOGAS), the joint venture that owns and operates the plant, wanted to proceed with the modifications some time ago but had to

**Bahrain's increasing dependence on desalination plants is also making an impact on long-term demand for gas.**

await a commitment from the Bahrain National Oil Co. (BANOCO) to provide 170 million scf a day of gas until the end of the decade.

Work on the modifications, which will be carried out by the National Gasoline Co., is due to start in September and will be completed in the first half of 1986.

BANOGAS has not taken into account in its estimates any improvements in gas quality that may result from BANOCO putting down new wells and tapping fresher associated-gas supplies. "It remains to be seen whether the [BANOCO] workover program will have an effect on the quality of gas," said Mr. O'Rourke, but this is certainly the expectation.

Every barrel of condensate produced by BANOGAS has a guaranteed sale because of a long-term agreement with Caltex to market propane and butane. Production of propane in 1984 was 2,760 barrels a day and of butane, 2,360 barrels a day. The refinery uses the naphtha produced as feedstock. Production in 1984 was 3,430 barrels a day.

Far from the plant dying with the oilfield, as was the original intention, there is now talk of importing "wet" gas as feedstock to keep it operating — another example of Bahrain's entrepreneurial versatility and its willingness to look at any proposition that will maximize its modest resources.

— ALAN MACKIE

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## A SPECIAL REPORT ON BAHRAIN

## Saudi Tie Means New Adaptation in Development

(Continued From Page 9)

more government-sponsored joint ventures such as a new petrochemicals plant, built with equal participation by Saudi Arabia, Kuwait and Bahrain. In addition, Kuwait and Saudi Arabia have agreed to market the plant's ammonia and methanol output.

Although Bahrain's development as a financial center would significantly enhance the country's industrialization drive, the subject does not seem to be a priority consideration for the government. In the absence of incentives for medium-term private investment, the

private sector is likely to continue relying on the government to generate new business opportunities. Although the real-estate market has suffered along with the deceleration of the economy, many Bahrainis are hoping construction activities will recover as Saudis begin to buy property in Bahrain. Others

realize that the downward pressure on oil revenues will limit government spending to spur the economy.

With a new trend in private-sector involvement in major ventures, beginning with the Gulf-wide offer of Saudi Arabian Basic Industries Co. (SABIC) shares, followed recently by Gulf Air, there is a need for a secondary market for trading Gulf shares as well as government bonds.

United Gulf Bank's vice president and economist, Henry Azzam, explained how this would provide a way of stemming the flow of capital to the Eurodollar market and fill the gap between reduced government spending and local banks' lacking access to longer-term funds. The lack of such a center for trading shares, he said, has reduced the attractiveness of issues such as SABIC's and prevented other large privately owned businesses all over the Gulf from seeking to overcome cash-flow problems by issuing their own debt instruments.

Mr. Azzam strongly believes that "Bahrain is ideally suited to play that role." He also feels that now is the time for a decision to be made to expand Bahrain's role beyond the limits of the money market, which is represented by more than 70 offshore banking units. Over the last decade the number of financial institutions has grown, communication channels have been built and a pool of trained Bahrainis has been created for these institutions to draw on.

"Bahrain can start by trading in international bonds as in Luxembourg, then it can become a listing center; as the expertise develops, it can move on to local and regional stocks, bonds and other instruments," Mr. Azzam said.

There is a consensus, however, that the economic sector that will benefit most from the causeway's opening is tourism, although views vary on the extent of the influx of Saudi tourists, especially over the Thursday-Friday Moslem weekends. Mr. Shirawi expects the number of Saudis visiting the country annually to double or maybe even triple from the present total of 700,000, bringing relief to the country's half-empty hotels.

Already banking on the upcoming fresh wave of vacationers, lured by Bahrain's relaxed atmosphere, where alcohol is allowed, an extravagant beach-resort project is finally taking off after a long delay. The Zallaq complex, which is expected to include a zoo, a small version of Disneyland and an air-conditioned monorail, along with accommodation facilities for families, is planned to cover a seaside strip of 4 kilometers (2.5 miles).



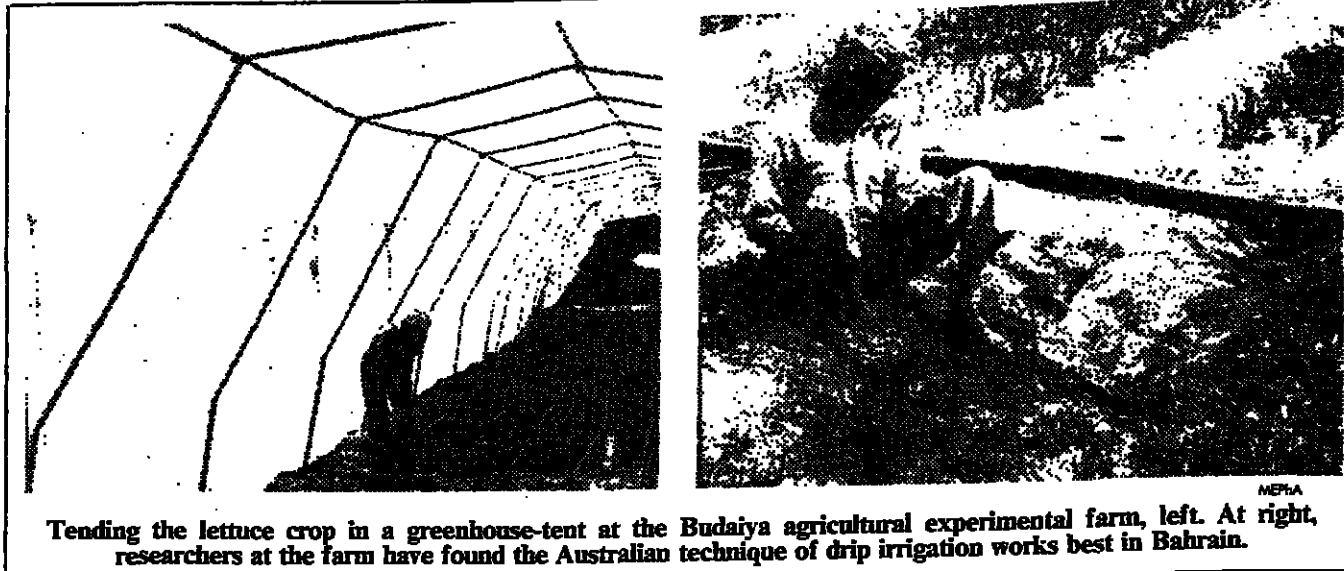
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Tending the lettuce crop in a greenhouse-tent at the Budaiya agricultural experimental farm, left. At right, researchers at the farm have found the Australian technique of drip irrigation works best in Bahrain.

## Causeway Builders Beating the Deadline

MANAMA — The multimillion-dollar causeway between Bahrain and Saudi Arabia is headed for an early opening, but motorists will have to wait longer than they had expected before they will be allowed to use it.

Construction work on the 25-kilometer (15.5-mile) route is almost complete and a car can now drive over three-quarters of the distance it covers.

The project has come a long way since the idea was first brought up at a luncheon meeting of the two states' rulers 30 years ago. Since that time, the creation of a man-made connection between the Saudi kingdom's Eastern Province and Bahrain's main island over the shallow waters of Salwa Bay has been the subject of arguments about its cost, value and consequences.

The total bill for the project exceeds \$1 billion, financed totally by Saudi Arabia. The causeway is also one of the world's largest and most ambitious construction projects. Made up of five bridges and seven embankments, the project's implementation involved a test for modern technology's ability to reclaim land from the sea and to erect a durable structure by putting together prefabricated concrete chunks.

Viewed from Umm Nassan island, 3 kilometers off Bahrain's main island of Sitra, where the capital of Manama is situated, the causeway is a gray strip extending into the middle of the water

with the Arabian peninsula coast not visible from the Bahraini side. All of the 534 hollow concrete piles have been installed, with the box girders forming the causeway's body superimposed on the row of double piles and embankments, resting on rubber bearing blocks designed to resist small earthquakes. The main span, which is founded on concrete rafts filled with concrete after they are implanted, is currently the focus of the Ballast Nedam group's activities.

Since the contract was awarded and the preparation of the site began in late 1981, the once silent island of Umm Nassan has witnessed the sudden sprouting of a construction village on reclaimed land. More than 200 mostly European managers and technicians of the Dutch company live there in boxlike prefabricated houses with their families. They are provided with a school, clinic and restaurant.

Construction workers from Southeast Asia, numbering 1,500 at one point, are accommodated in 20 barracks in the same area, which includes workshops and a desalination plant. There is also a huge concrete factory, where most of the project's components, including 1,000-ton parts of the main span, are fabricated.

The company is also building border posts on two artificial islands, reclaimed for that purpose toward the middle of the causeway. This construction work, due for completion in April of next year, covers customs buildings, a coast-

guard tower, roads, a covered parking area and a desalination plant.

With contracts for access roads still to be awarded, and the job estimated to take 20 months to complete, it is clear that the first nonofficial vehicle to cross the causeway will not do so before the spring of 1987. It remains unclear if financial considerations are behind the delay in inviting bids for the construction of 35 kilometers of approach roads on the Saudi side and 10 kilometers of similar roads on the Bahraini side.

With the \$575-million job due to be handed over and officially inaugurated on Dec. 16, Bahrain's national day, Ballast Nedam will have completed its largest assignment more than a month ahead of schedule. Work is presently two and a half months ahead of schedule, a company spokesman said.

Some estimates put the number of vehicles that will be crossing the causeway by the year 2000 at 30,000 daily. The distance between Manama and Al-Khobar, the nearest Saudi city to the causeway, may be a 30-minute ride depending on the traffic. To avoid congestion caused by an influx of Saudi vehicles, Bahrain has already decided to ban trucks from coming farther than the middle of the causeway, where goods will be transferred to smaller vehicles. Private cars will be permitted to pass, however, after paying a toll to cover maintenance costs.

— OLFAT TOHAMY

## Link Could Bring New Shipping Business

By Phillip Hastings

MANAMA — With the new causeway between Bahrain and Saudi Arabia now approaching completion, speculation continues about its impact on trade through the island state's Mina Sulman port.

Traditionally, Bahrain has been one of the Gulf's major trading bases, with Mina Sulman ranked second to Dubai in the United Arab Emirates as a center for regional transshipment operations.

The question is how that role will be affected by the causeway, which is scheduled for official opening on Dec. 16 but probably will not be fully operational before the latter half of next year.

Optimists in Bahrain believe that the causeway will open up new opportunities for transshipment business at Mina Sulman. Their argument is that vessels will be able to call at Mina Sulman and discharge Saudi-bound cargoes for movement by truck across the causeway. Other shipping-industry observers argue that there is no obvious

reason why vessels should call at Bahrain rather than going to the large nearby Saudi port of Dammam. If anything, they argue, shipping lines might prefer to call at Dammam rather than Mina Sulman, with Bahrain-bound goods being moved in the other direction across the causeway.

But no one can predict with any certainty what is going to happen to cargo traffic flows through Mina Sulman and across the causeway until the Bahraini and Saudi governments give a clearer indication of the customs regulations that are going to apply to the new link. To date, very little information has been forthcoming on that subject.

All of which is of little help to the Mina Sulman Port Authority as it tries to plan. "From what we know at the moment, it would appear that a lot of fruit and vegetables will start to come into Bahrain via the causeway," said the Mina Sulman port adviser, Captain John Kendrick. "At the moment, a lot of that traffic comes in by dhow or airfreight."

"As for general cargo moving

through Bahrain, it is impossible to say at the moment whether there will be more containers dropped off at Mina Sulman port here for onward movement via the causeway to Saudi Arabia or vice versa. In the final analysis, it will be the carriers that decide whether to change their port calling pattern."

Captain Kendrick pointed out that Dammam, the nearest major Saudi port to Bahrain, did not handle transshipment cargo but there was always a chance that this could change once the causeway was operational.

In the meantime, Mina Sulman is continuing with plans to meet the new demands likely to be imposed by the causeway.

The next development is likely to be the building of a new access road to link the port with the causeway. A master plan is under consideration and, with budget approval, the project could be completed by 1987.

The port is also looking at plans to create three or four new high-productivity berths by extending the existing container terminal.

The new berths are seen as necessary to replace the existing finger pier that accommodates current conventional cargo operations. If the project gets budget approval, work could start in 1987 for completion in the early 1990s.

Such plans follow a number of recent developments in Mina Sulman port, notably the completion of a 200-meter (218-yard) extension to the container terminal to make an extended berth of 600 meters (652 yards). This now allows the port to simultaneously handle two third-generation container ships at the terminal, cutting the risk of any delays, which sometimes happened in the past when two such vessels arrived at the same time.

Two more ship-to-shore gantry cranes have also been brought into operation this year, making four in all, and the container storage areas have been expanded to accommodate an additional 3,000 containers, making space for over 7,000.

Container traffic now dominates overall cargo movement at Mina Sulman.

## Airport Expands For Cargo

MANAMA — Expansion of both the cargo terminal at Bahrain International Airport and Gulf Air's services should boost the country's increasingly important role as a regional airfreight center.

According to Bahrain Airport Services, the airport's cargo-handling company, airfreight business has been growing substantially. The company handled 36,640 tons of freight in 1984, compared with the 1983 total of 32,400 tons.

Within the 1984 total, by far the largest proportion of traffic, 76 percent, involved import cargoes, which at 28,000 tons represented an increase of nearly 13 percent on the previous year.

Export cargoes fell by around 5 percent to 4,170 tons but transshipment traffic recorded a 40-percent increase to 4,470 tons.

Basically, Bahrain Airport Services claims to be able to offer a four-hour transshipment service, subject to flight schedules.

A current problem area for the company is the fact that existing import and export sheds are a mile apart, but moves are under way to solve that problem and boost cargo operations. Work has begun on a new all-in-one cargo terminal that will handle import, export and transshipment traffic. Offering 62,000 square feet (5,760 square meters) of covered space on a site close to the existing passenger terminal, the facility is scheduled for completion in September 1986.

Features of the new terminal will include a unit-load-device handling system with 14 pallet makeup and breakdown positions and 48 storage positions, with scope to extend those to take more than 10 pallets. There will also be six freezer-chiller positions and three positions in a cool room for fruit and vegetable cargoes.

— PHILLIP HASTINGS

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## A SPECIAL REPORT ON BAHRAIN

## Major New Projects Span Industrial Gap

MANAMA — This year will be an important landmark in Bahrain's industrial development with the commissioning of three major projects that will do much to bridge the gap between primary and downstream industries and open the way to greater private-sector participation.

The pelletization plant built by the Iron & Steel Co. (Aisco), a private venture between shareholders in Kuwait, Iraq, Jordan and Bahrain, was completed late last year and is going through trial runs prior to commercial production. The aluminum rolling mill being built by the Gulf Aluminum Rolling Mill Co. (Garmco), a joint venture between Iraq and member states of the Gulf Cooperation Council, with the exception of the United Arab Emirates, is due to go into commercial production in November, and the Gulf Petrochemical Industries Co. is due to start up its methanol plant before the end of the year.

In addition, the Gulf Acid Industries Co. has just commissioned a 10,000-ton-per-year sulphuric acid plant, a major contribution to Bahrain's chemical industries base.

However, if these projects help to integrate, rationalize and cut costs, as well as create opportunities for downstream industries, the world recession is still making it difficult for most to make profits.

The outstanding exception is Bahrain's flag ship industry, aluminum. Aluminum Bahrain (Alba),

the company that runs the island's smelter, has made a loss only once, in 1982, in its 14 years of operations, and a thriving downstream aluminum industry has been built on its production.

With a large part of its capital outlay now repaid, Alba is in fine shape to take advantage of the shakeout in the industry and the slow improvement in aluminum prices anticipated in coming years. Trials for a computerized energy control system are under way that will raise production another 10 to 15 percent and enable another 150 jobs to be shed. But plans to improve power generation, which would raise production to 260,000 tons per year without using more feedstock gas, have been shelved because of the depressed general demand for power.

The advent of Garmco, which in time will take 40,000 tons per year of rolling slabs from Alba, will do much to underpin the smelter's integrated production, which could be raised to 115,000 tons per year compared with a current 70,000 tons. At present, only 40 percent of production is integrated — as rolling slabs and extrusion billets. Another 10 percent is taken off as molten metal for a cable-making facility and an atomizer plant, and the remaining 50 percent is cast as ingots for sale in the spot market. About 40,000 tons per year of current integrated production is in the form of extrusion billets, of which the local Bahrain Aluminum Extrusion Company (Balexco) takes 5,000 tons.



Unloading raw alumina from Australia destined to fuel the island state's heavy industry sector.

The Bahrain Aluminum Co. (Baleco), which has marketed the Saudi and Bahrain governments' 77.9-percent share (about 139,000 tons per year) of Alba's production since 1975 is expected in 1984 to better the \$30-million profit made in 1983. Firm aluminum prices at the start of 1984 enabled the company to further reduce the 40,000 tons of stocks left over from the 1,000 tons accumulated in 1982. However, the failure of prices to

sustain the improvement has forced Baleco to increase stocks.

Approaches have been made to Dubai and Venezuela, which both operate government-owned smelters, to create a cartel regulating production in line with demand. The commercial logic is particularly strong with Dubai, but Bahrain Aluminum Co.'s general manager, Faisal Mirza, says that "they aren't interested in going in with Bahrain."

— ALAN MACKIE

## Private-Sector Development Is Thriving

MANAMA — Bahrain has a thriving industrial private sector if the demand for lots in the North Sitra industrial estate is anything to go by. Most of the lots have now been bought up, and officials between the fact that if any good projects turn up in the near future, there will be place for them.

Still, the interest is encouraging, especially at this highly sensitive time, when the delicate marriage of primary industries and downstream private-sector investment is beginning to take place and the causeway is about to make profound changes in the business climate in Bahrain.

The aluminum rolling mill is going to be an important catalyst in this process. According to the marketing manager of Gulf Aluminum Rolling Mill Co., (Garmco), Carson Sales, there is a lot of scope for downstream aluminum industries.

Garmco's start-up in November is also going to make a major impact on the job market, creating as many as 1,000 jobs, according to some assessments, and making the

aluminum industry, which already employs about 3,000, the island's biggest industrial employer.

Downstream development and integration is also having a cumulative effect in generating business. Isa Abdullah Musa, a shareholder in the Gulf Acid Industries Co., which recently commissioned a sulphuric acid plant, is now considering setting up a caustic-soda plant.

Apart from the welter of small aluminum-fabrication shops that have sprouted up around the island, there already is a good mix of consumer product manufacturing developing in Bahrain. These include plants producing paint, syringes, fiber glass, plastic containers and shoes. There is also a plant assembling air-conditioning units. This development has taken place with minimal government assistance.

There has been one official attempt to promote private investment. With the help of a \$3-million soft loan from the Abu Dhabi Fund for Economic Development, the government in 1979 set up the

Bahrain Light Industries Co. (Blico) to act as a holding company to promote and develop private industry in Bahrain and offered its shares to the public.

The authorities have departed from their laissez-faire approach to the private sector by funding, with the help of a \$32-million soft loan from Kuwait, the development and installation of utilities in the North Sitra industrial estate. Previously, the government did not have the funds to provide such facilities and those companies that set up in the older free zone in Mina Sulman port had to provide their own services.

The government is also introducing an industrial licensing registration law that will provide more systematic information about industrial development. But there is still a dearth of proper market research, which, coupled with the general confusion in the market over the opening of the causeway, is leading many businessmen to hold back.

The lack of government strategy

is perhaps most keenly felt in the field of labor. Because of the high cost involved in employing Bahrainis, most of the private sector is run on immigrant labor. At the same time, most of the downstream private-sector industrial development being encouraged by the government is labor intensive. How this squares with the government's policy of creating jobs for Bahrainis is not clear.

— ALAN MACKIE

## Education Puts Stress on Needs Of the Economy

MANAMA — Vocational education is a popular theme throughout the Gulf, and Bahrain is one of the few places where it can be seen in action.

The dean of Bahrain's Gulf Polytechnic, Ibrahim al-Hashimi, attributes this to Bahrain's relative poverty compared with its neighbors, while its harbor and central position in the Gulf give it a more cosmopolitan outlook.

It is at the intermediate level (for all pupils 12 to 15 years old) that the idea of vocational education is introduced. Those leaving at the end of this stage have already had a wide introduction to the practicalities of employment. At the secondary level, there is as much attention to career development — for both sexes — as in a Western school. Industries send demonstrators to the schools; children go back on guided tours.

As a result, Bahrain is beginning to overcome a fundamental distaste for technical work, which elsewhere in the peninsula obstructs the replacement of expensive expatriates by local citizens. Technical schools are so popular that they have to operate two shifts.

Gulf Polytechnic has been organized around the needs of the economy. Some of the four-year courses are full-time, having a year's orientation (including English, mathematics and general sciences) and often concluding with six months of internship or industrial attachment. Other courses are part-time, including evening classes. The emphasis is on filling the middle grade of employment. Disciplines concentrate on management, engineering and commercial studies.

— SARAH SEARIGHT

## Real Estate Boom Defies Rent Slump

MANAMA — Manama still presents the picture of a boom town, with new office blocks and cranes all over the Diplomatic Area and the adjoining Al-Hurra district. But caution is now in fashion and the office blocks are hard to rent.

Two or three years ago, when the first hopes were being dug in the Diplomatic Area, oil revenues were peaking, banks were lining up for licenses and the planned causeway to Saudi Arabia was seen as reinvigorating Bahrain's position as the financial heart of the Gulf.

Now, economic recession has hit the region and rents in Bahrain, as elsewhere, have slumped. Since September last year, office rents have fallen by 30 percent to 40 percent.

Most of the Diplomatic Area is given over to office blocks. Some of these have been built by banks to provide offices for themselves; a few, such as the Al-Nass Tower, are purely speculative. There is still a demand for well-designed interior space with a good standard of finish, but prospective renters are more cost-conscious these days and make do with less space and fewer employees.

The area already looks congested, despite certain height and density regulations, and parking is likely to be a major headache.

Beyond the Diplomatic Area is Al-Hurra. This is becoming a popular residential area for embassies (including the elegant French Embassy) and apartments. Expatriates up to now have tended to go for villas, but the market is now drifting back into Manama from the villas and compounds out along the Budaiya road, provided the apartments are well fitted out and include such amenities as swimming pools.

For Bahrainis, the housing situation is quite different, with the Housing Ministry providing most of the funds and activity. Bahrain's population is growing at a rate of 3 percent a year, over half the population is under 18 and there is not room for them in the old family houses of the Muharrag area.

Many would like to live in the glossy neighborhood of West Rifa'a, made fashionable by the palaces of the ruling al-Khalifa family, overlooking the ancient spring of Al-Hananiya and set in well-

watered gardens of bougainvillea and hibiscus. But West Rifa'a is too expensive.

Manama has already spread out to one new residential area, Issa Town. Once, it seemed right out in the desert and most of the government housing built there from 1968 was for lower-income families. Today, it seems less remote as Manama has spread south. Hamad Town is 15 kilometers (9 miles) farther on, near the site of the new Arabian Gulf University. The AGU will take its first 200 students in the fall of 1986 and may add considerably to the attractions of Hamad Town.

The inaugural stone for the town was laid by Bahrain's ruler, Sheikh Isa bin Sulman al-Khalifa, in 1982. About 1,500 houses of varying sizes are ready for occupation. No householder is supposed to pay more than a quarter of his salary in repayment, and houses are allotted according to salary. Total repayment could take anything up to 25 years. Most of the houses have been built by the ministry but there are some larger ones built privately on special plots.

— SARAH SEARIGHT

## Bahrain Is Important Link in Gulf Council's Defense Chain

MANAMA — The Gulf Cooperation Council is going ahead with plans to build a shield to protect the Arabian peninsula from a possible spillover of the Iran-Iraq war, enabling Bahrain, once claimed by Iran, to proceed with its economic development plans and to prepare to be integrated into a more prosperous Gulf region.

Bahrain is a cluster of 35 islands located in the southwestern part of the Gulf. Its two main islands, Sitra

and Muharrag, represent the most densely populated areas in the Gulf region, situated a little more than 20 kilometers (12.4 miles) off Saudi Arabia's eastern coast and equally distant from Qatar to the south.

Bahrain is thus strategically situated in the turbulent Gulf waters opposite the border between Iran and Iraq. Its other GCC neighbors, Saudi Arabia, Kuwait, the United Arab Emirates, Oman and Qatar, are located on the peninsula.

Because of its strategic location and its modest defense capabilities, Bahrain is regarded as vulnerable. This explains why special priority has been given to one of the earliest GCC decisions to build an air base in Bahrain, on the main island of Sitra, with technical assistance from the U.S. Army Corps of Engineers. It is currently at the design stage, and the site remains to be provided with infrastructure facilities before construction work can start.

Bahrain has also ordered four F-5 fighters and two F-5F training aircraft, which would form the nucleus of the country's air force. The construction of the base and the aircraft deal are part of a \$1-billion package for Bahrain approved at a Gulf summit more than two years ago.

Although the GCC charter calls for policy coordination and integration at all levels and in all fields, the intermittent war in the Gulf has meant that the issue of collective defense always took priority over other issues, and that security-oriented projects were also given serious attention at Gulf summits. A few major projects such as an oil pipeline linking all GCC members

and bypassing the Strait of Hormuz and a giant food-storage plan were considered for funding by the Gulf Investment Corp. The GIC, capitalized at \$2.1 billion, has several projects to study but no decisions have been made on them yet. GCC officials have already participated in two rounds of talks with the European Community concerning the future of their member countries' most important and rapidly growing industry, which is petrochemicals. Although no agreement has been reached on Europe's tariffs on imports of petrochemicals exceeding a specified quota, the council's involvement as an organized body boosted hopes of strengthening the Gulf countries' bargaining power in an increasingly glutted world market.

It also signaled the importance of policy coordination among Gulf members to prevent duplication and overcapacity, which can be achieved by implementing the GCC economic agreement. The accord has removed tariffs among Gulf states and called for collective planning of import-substituting policies, export promotion and technology procurement.

— OLFAT TOHAMY

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NYSE Most Actives				
Symbol	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

Dow Jones Averages				
Index	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

NYSE Index				
Index	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

Previous NYSE Diaries				
Index	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

Standard & Poor's Index				
Index	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

NASDAQ Index				
Index	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

AMEX Most Actives				
Symbol	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

Dow Jones Bond Averages				
Index	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

Odd-Lot Trading In N.Y.				
Index	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

Previous AMEX Diaries				
Index	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

AMEX Sales				
Index	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

AMEX Stock Index				
Index	Open	High	Low	Close
Indus	124.35	124.90	124.10	124.30
Trans	124.35	124.90	124.10	124.30
Comp	124.35	124.90	124.10	124.30

## New York Stocks Turn Mixed

Compiled by Our Staff From Dispatches  
NEW YORK — Stocks were mixed in afternoon trading Wednesday after scoring a late rally in the previous session. Retail, aerospace and telephone issues paced the gainers, but several mining, airline and technology stocks retreated.

The Dow Jones average of 30 industrials,

which rose 12.15 to a seven-week high Tuesday, was off 1.32 at 1,277.39 two hours before the closing bell.

Advances held a slim lead over declines on the New York Stock Exchange, whose composite index edged up 0.11 to 105.54.

Big Board volume totaled 69.61 million shares at 2 P.M. EST, compared with 70.46 million at that hour Tuesday.

The mixed showing appeared to dampen hopes that Tuesday's late rally was the start of a sustained upturn rather than an isolated, technical event limited to the blue chips.

The Dow Jones industrials have been unable to put together two consecutive gains of more than 10 points since early January, and until Tuesday the measure had shown a net change of less than a point for the past month.

In the money markets today, meanwhile, short-term interest rates were little changed to slightly lower.

On the NYSE's active list, Unocal fell 1 1/4 to

47 3/4. Johnson & Johnson rose 1/4 to 44 1/4 and PepsiCo fell 1/4 to 53 1/4.

Mobil was up 1/4 at 29 1/4 despite reporting lower first-quarter earnings.

At the American Stock Exchange, the market value index rose 0.13 to 229.44.

"We just don't see a sustainable rally," said Robert W. Colby, of Smith Barney, Harris Upham.

Despite the Dow breaking out of a seven-week trading band, there has been "virtually no follow-through of enthusiasm," he said. Depleted cash reserves and a high percentage of bulliness added to the market's lackluster performance, he said.

"Prices haven't gone up because most of the buying power is already in there. Even with depleted cash reserves and a high percentage of bulliness added to the market's lackluster performance, he said.

Another factor preventing the market from building a rally is diminishing confidence in President Ronald Reagan's political clout, said Alan Ackerman, of Herzfeld & Stern.

Worries that deficit-cutting proposals will have difficulties passing Congressional hurdles has added to the already nervous tone of the market, he said.

The long-term economic outlook remains positive, he said, but characterized the market as one of selective bargain-hunting.

"Group leadership is very difficult to find," General Motors was off 1/4 to 70 1/4. Tuesday it posted a 24 percent decline in first-quarter earnings. Chrysler was off 1/4 to 36 1/4.

Data General, which posted a 36-percent decline in earnings, was off 1/4 to 38 1/4.

## To Our Readers

Because of the seven-hour time difference between New York and Paris until April 27, the New York and American Stock Exchange tables in this edition contain information from 3 P.M. New York time. Over-the-counter stock prices are from 2 P.M. New York time. Canadian stock prices, U.S. futures prices and some

other items are from the previous day's trading. We regret the inconvenience, which is necessary to meet distribution requirements. All editions will again carry closing prices and indexes after April 27, when Daylight Savings Time begins in the United States.

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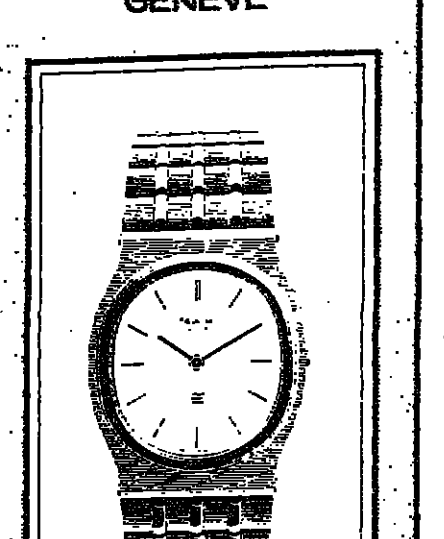
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# U.S. Futures April 23

## Grains

Grains							
WHEAT (CBT)							
5,000 bu minimum—dollars per bushel							
4.05	3.32½	May	3.53½	3.54	3.47	3.47½	—08½
3.90	3.24½	Jul	3.31	3.32½	3.31	3.31	—02½
3.76½	3.26	Sep	3.32½	3.33½	3.31½	3.31½	—02½
3.63½	3.23½	Dec	3.44	3.44½	3.41½	3.41½	—07½
3.54½	3.40½	Mar	3.48½	3.49	3.47½	3.47½	—02
4.02	3.44	May				3.44½	—02
Est. Soles							
		Prev. Soles	3,000				

## Metals

COPPER (COMEX)	High	Low	Open	High	Low	Close	Chg.
May 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01
Jul 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01

## Livestock

CATTLE (CME)	High	Low	Open	High	Low	Close	Chg.
May 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01
Jul 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01

## Food

COFFEE (NYMEX)	High	Low	Open	High	Low	Close	Chg.
May 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01
Jul 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01

## Paris Commodities April 24

SUGAR	High	Low	Open	High	Low	Close	Chg.
May 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01
Jul 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01

## Asian Commodities April 24

SUGAR	High	Low	Open	High	Low	Close	Chg.
May 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01
Jul 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01

## London Commodities April 24

SUGAR	High	Low	Open	High	Low	Close	Chg.
May 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01
Jul 1985	1.18	1.16	1.17	1.18	1.16	1.17	0.01

## Cash Prices April 23

Commodity	Unit	Price	Change
Crude Oil	Barrel	24.15	+0.05
Natural Gas	100 cu ft	1.18	-0.01

## Dividends April 24

Company	Dividend	Payable
AT&T	\$0.40	May 1
IBM	\$0.50	May 1

## STOCK SPLITS

Company	Split	Effective
IBM	2-for-1	May 1
AT&T	2-for-1	May 1

## U.S. Treasury Bill Rates April 23

Term	Rate
3-month	7.25%
6-month	7.50%
1-year	7.75%

## DM Futures Options April 23

Option	Price	Change
Call	1.18	+0.01
Put	1.16	-0.01

## Singapore Trade Deficit Rises

SINGAPORE — Singapore's trade deficit widened in March to a preliminary figure of \$26.5 million, Singapore's trade ministry said Wednesday.

The deficit was up from \$24.5 million in February and \$22.5 million in January.

The ministry said the deficit was due to a rise in imports of capital goods and consumer goods.

Exports of goods and services rose 1.5% in March from the previous month.

The ministry said the deficit was within the government's target of \$30 million.

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# Wednesday's NYSE 3pm

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

(Continued from Page 14)

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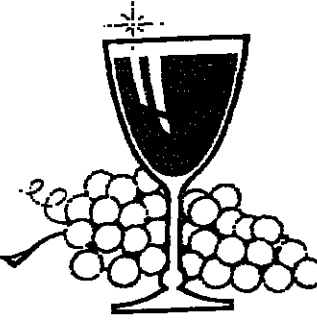
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## Company Earnings

Revenue and profits, in millions, are in local currencies unless otherwise indicated

Canada			
Imperial Oil	1st Qtr. 1985	1st Qtr. 1984	1st Qtr. 1983
Revenue	2,290	1,790	1,790
Profit	250	250	250
Per Share	0.81	0.81	0.81
United States			
Amstar	1st Qtr. 1985	1st Qtr. 1984	1st Qtr. 1983
Revenue	1,400	1,400	1,400
Profit	150	150	150
Per Share	0.50	0.50	0.50
Amstar	1st Qtr. 1985	1st Qtr. 1984	1st Qtr. 1983
Revenue	1,400	1,400	1,400
Profit	150	150	150
Per Share	0.50	0.50	0.50
Amstar	1st Qtr. 1985	1st Qtr. 1984	1st Qtr. 1983
Revenue	1,400	1,400	1,400
Profit	150	150	150
Per Share	0.50	0.50	0.50

## BUSINESS ROUNDUP

## Bayer Posts 56% Earnings Increase

By Warren Getler

International Herald Tribune

FRANKFURT — Bayer AG said Wednesday that it posted a 56-percent increase in net profit in 1984 and confirmed that it would lift its dividend to 9 Deutsche marks (about \$3) from 7 DM.

The company, which is based in Leverkusen, reported that its world-group net soared to a record 1,174 billion DM in 1984 from 754 billion a year earlier. Earlier this month, Bayer said 1984 world-group pre-tax profit climbed 34.3 percent, to 2.9 billion DM from 2.16 billion a year earlier.

Bayer's dividend matches its two primary domestic rivals, Hoechst AG and BASF AG. Both firms

earlier announced increases of 2 DM, also to 9 DM.

On Tuesday, Hoechst reported a 49-percent rise in 1984 group net profit, to a record 1.35 billion DM from 909 million a year earlier. BASF said its group net jumped 73

Thomson in Indian Venture

NEW DELHI — France's state-owned Alcatel Thomson plans to form a joint venture in India to sell telecommunications technology and products, the French government said Wednesday. The new firm is to be owned 40 percent by Alcatel Thomson and 60 percent by private Indian interests.

## Batus Reports Higher Earnings

United Press International

LOUISVILLE, Kentucky — Batus Inc., the Louisville-based holding company for Britain's B.A.T. Industries, reported Wednesday a 21-percent increase in net income for 1984. Profit rose last year to a record \$314 million on sales of \$6.2 billion from \$599 million on \$6.06 billion in sales in 1983, the company said.

Batus holdings include Brown & Williamson Tobacco Corp., Appleton Papers and several retail chains, including Saks Fifth Avenue.

## U.S. Company Agrees to Sell British Engineering Software

By Bob Hagerty

International Herald Tribune

LONDON — American Channels Inc., formed recently to sell European engineering software in North America, plans to announce Thursday its first licensing agreement.

The Lexington, Massachusetts, company has signed an accord with CADCentre Ltd. of Cambridge, England, covering three of that company's products.

Roy Finney, a Briton who is president of American Channels, said European scientific and engineering software houses have a lead over their U.S. counterparts in certain areas but often lack the resources to sell successfully in the United States.

He said his company, set up ear-

lier this year with \$1.2 million of

venture capital, is holding talks with other potential partners in Britain, Belgium and Israel.

The CADCentre products involved are in computer-aided design of mechanical parts, in computer-aided manufacturing and in process planning, which involves organizing production. American Channels is to help adapt the products for North America, distribute them and provide support.

CADCentre is 40-percent owned by ICL, Britain's largest computer maker and a unit of Standard Telephones & Cables PLC. Other shareholders in CADCentre are Cambridge University, SIA Computer Services and W.S. Atkins Group. The company derives about a quarter of its revenue from the United States.

## E. Germany: Hoarding, or Saving for High Tech?

(Continued From Page 15)

dose of high technology, which it can get only in the West.

East Germany ranks between 10th and 12th in the world in industrial production, according to Western estimates. It is far ahead of other Eastern-bloc countries but still far behind the major Western industrial nations.

"It must modernize at all cost; if it doesn't it will fall to the level of such semi-industrial nations as Mexico," a West German official said.

East German industries are doing well in many traditional fields including the production of heavy machinery, machine tools, printing presses, textile machines, special-purpose machines, and advanced optical and medical instruments. It also does well in the manufacture of textiles, shoes and some other consumer goods, according to Western specialists.

But East Germany is lagging in the development of automation and the whole range of modern electronic refinements its industry

needs to compete in advanced markets.

One specialist estimated that the East Germans were seven years behind Western Europe in computer hardware, and 10 or more years behind in software.

"Their main bottleneck is hardware," he said. "They have excellent mathematicians and are doing fine theoretical work but you can't develop software if you don't have the hardware to use and train on."

West Germans watching East Germany's economic progress of late speak with respect of the efforts made in "the other Germany."

The East Germans, one analyst observed, had a rough start economically as well as politically. Instead, an occupying power that dismantled their industries and shipped them east.

He added that, unlike West Germany, the East Germans could not buy licenses for modern postwar technologies. Using the aircraft industry as an example, he said, "Un-

## Some High-Tech Value Seen

(Continued From Page 15)

makes sense." But investors must be aware of the complexities as well as the opportunities, he added, noting that the "end market has softened and IBM has become more aggressive."

He singled out Cullinet as a company with "sound" fundamentals. UCCEL and Businessland also look favorable on examination, he

said. Tandem and Stratus, two so-called fault-tolerant companies, are attractive, along with Xidex. He said Ungermeier-Bass is a buy on continuing weakness.

Linda Tanner, a director of Laidenberg Thalmann International in London, pursued this theme, urging caution.

Topping her list of standards are "talented management and good financials."

## EMPLOYMENT INTERNATIONAL CLASSIFIED

(Continued From Back Page)

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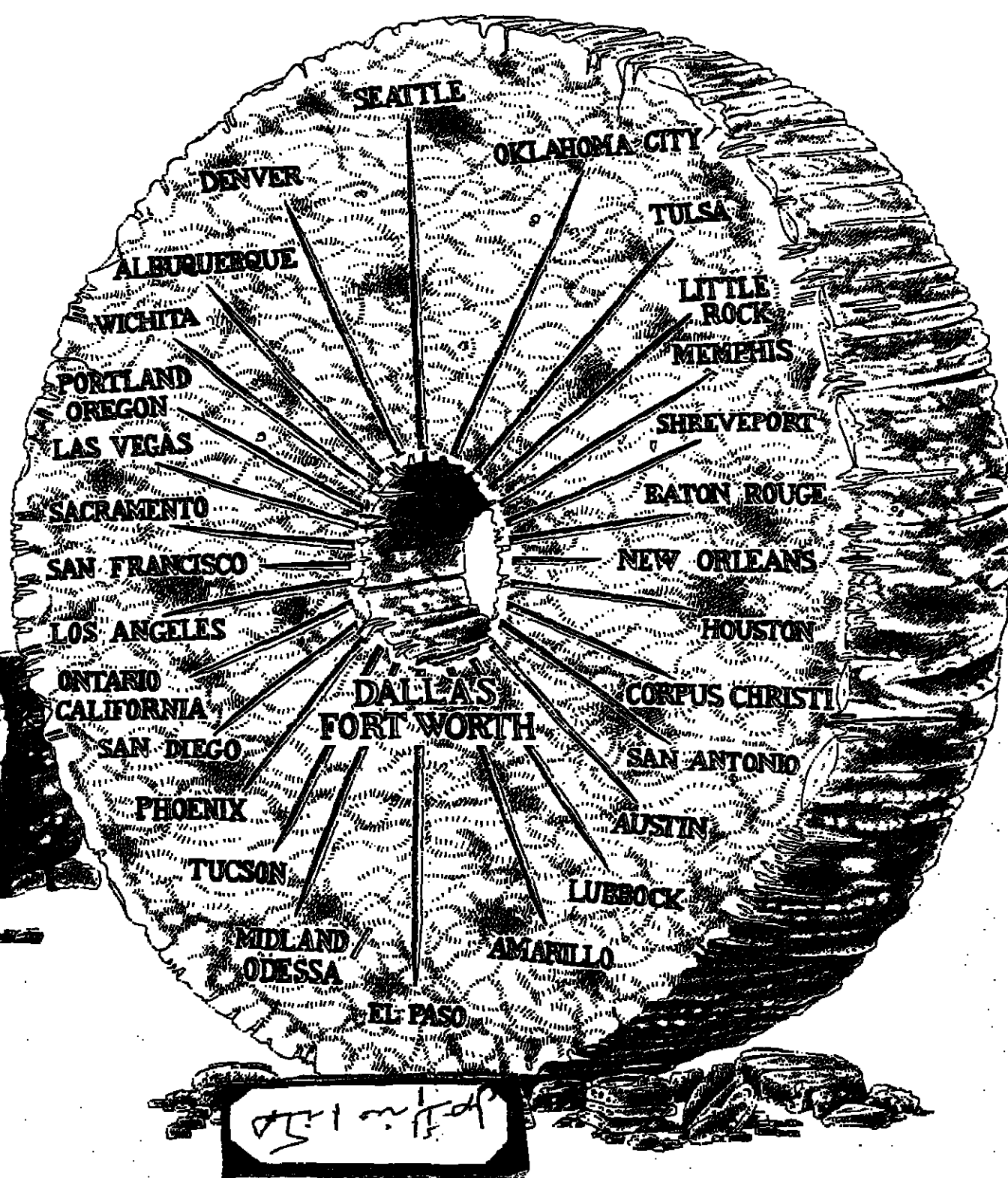
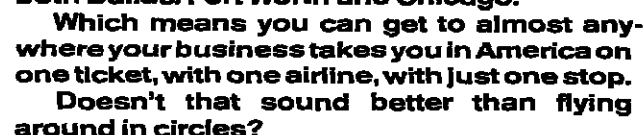
Trieste, Venice, Milan, Bologna



12 Month High Low	Stock	Div. Yld. PE	52 100g High Low	3 P.M. Quot. Ch'ge
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**So how can an airline effectively connect**





**NASDAQ National Market Prices**

Sales In 100% High Low 2 P.M. Ch's				Sales In 100% High Low 2 P.M. Ch's					
A				B					
AAAI Pd				CAIABN	480.24	12.18%	1814	1814	+
AACT Pd				CAIAPA	4.61	24.13%	144	144	+
AACT Pd				CAIAPB	1.50	19.33%	44	44	+
AACT Pd				CAIAPC	1.50	19.33%	44	44	+
AACT Pd				CAIAPD	1.50	19.33%	44	44	+
AACT Pd				CAIAPF	1.50	19.33%	44	44	+
AACT Pd				CAIAPG	1.50	19.33%	44	44	+
AACT Pd				CAIAPH	1.50	19.33%	44	44	+
AACT Pd				CAIAPI	1.50	19.33%	44	44	+
AACT Pd				CAIAPJ	1.50	19.33%	44	44	+
AACT Pd				CAIAPK	1.50	19.33%	44	44	+
AACT Pd				CAIAPL	1.50	19.33%	44	44	+
AACT Pd				CAIAPM	1.50	19.33%	44	44	+
AACT Pd				CAIAPN	1.50	19.33%	44	44	+
AACT Pd				CAIAPQ	1.50	19.33%	44	44	+
AACT Pd				CAIAPR	1.50	19.33%	44	44	+
AACT Pd				CAIAPS	1.50	19.33%	44	44	+
AACT Pd				CAIAPT	1.50	19.33%	44	44	+
AACT Pd				CAIAPU	1.50	19.33%	44	44	+
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AACT Pd				CAIAPK	1.50	19.33%	44	44	+
AACT Pd				CAIAPL	1.50	19.33%	44	44	+
AACT Pd				CAIAPM	1.50	19.33%	4		

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Sales in 100s				Net				
100s High Low 2 P.M./Ch/g				100s High Low 2 P.M./Ch/g				
V				W				
VJL	126	8	8	WABW	41	1779	1256	+
VJL1	111	11	11	WABC	32	1815	1264	+
VJL2	111	11	11	WOPC	12	5	1264	+
VJL3	111	11	11	WOPC	12	5	1264	+
VJL4	111	11	11	WOPC	12	5	1264	+
VJL5	111	11	11	WOPC	12	5	1264	+
VJL6	111	11	11	WOPC	12	5	1264	+
VJL7	111	11	11	WOPC	12	5	1264	+
VJL8	111	11	11	WOPC	12	5	1264	+
VJL9	111	11	11	WOPC	12	5	1264	+
VJL10	111	11	11	WOPC	12	5	1264	+
VJL11	111	11	11	WOPC	12	5	1264	+
VJL12	111	11	11	WOPC	12	5	1264	+
VJL13	111	11	11	WOPC	12	5	1264	+
VJL14	111	11	11	WOPC	12	5	1264	+
VJL15	111	11	11	WOPC	12	5	1264	+
VJL16	111	11	11	WOPC	12	5	1264	+
VJL17	111	11	11	WOPC	12	5	1264	+
VJL18	111	11	11	WOPC	12	5	1264	+
VJL19	111	11	11	WOPC	12	5	1264	+
VJL20	111	11	11	WOPC	12	5	1264	+
VJL21	111	11	11	WOPC	12	5	1264	+
VJL22	111	11	11	WOPC	12	5	1264	+
VJL23	111	11	11	WOPC	12	5	1264	+
VJL24	111	11	11	WOPC	12	5	1264	+
VJL25	111	11	11	WOPC	12	5	1264	+
VJL26	111	11	11	WOPC	12	5	1264	+
VJL27	111	11	11	WOPC	12	5	1264	+
VJL28	111	11	11	WOPC	12	5	1264	+
VJL29	111	11	11	WOPC	12	5	1264	+
VJL30	111	11	11	WOPC	12	5	1264	+
VJL31	111	11	11	WOPC	12	5	1264	+
VJL32	111	11	11	WOPC	12	5	1264	+
VJL33	111	11	11	WOPC	12	5	1264	+
VJL34	111	11	11	WOPC	12	5	1264	+
VJL35	111	11	11	WOPC	12	5	1264	+
VJL36	111	11	11	WOPC	12	5	1264	+
VJL37	111	11	11	WOPC	12	5	1264	+
VJL38	111	11	11	WOPC	12	5	1264	+
VJL39	111	11	11	WOPC	12	5	1264	+
VJL40	111	11	11	WOPC	12	5	1264	+
VJL41	111	11	11	WOPC	12	5	1264	+
VJL42	111	11	11	WOPC	12	5	1264	+
VJL43	111	11	11	WOPC	12	5	1264	+
VJL44	111	11	11	WOPC	12	5	1264	+
VJL45	111	11	11	WOPC	12	5	1264	+
VJL46	111	11	11	WOPC	12	5	1264	+
VJL47	111	11	11	WOPC	12	5	1264	+
VJL48	111	11	11	WOPC	12	5	1264	+
VJL49	111	11	11	WOPC	12	5	1264	+
VJL50	111	11	11	WOPC	12	5	1264	+
VJL51	111	11	11	WOPC	12	5	1264	+
VJL52	111	11	11	WOPC	12	5	1264	+
VJL53	111	11	11	WOPC	12	5	1264	+
VJL54	111	11	11	WOPC	12	5	1264	+
VJL55	111	11	11	WOPC	12	5	1264	+
VJL56	111	11	11	WOPC	12	5	1264	+
VJL57	111	11	11	WOPC	12	5	1264	+
VJL58	111	11	11	WOPC	12	5	1264	+
VJL59	111	11	11	WOPC	12	5	1264	+
VJL60	111	11	11	WOPC	12	5	1264	+
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VJL169	111	11	11	WOPC	12	5	1264	+
VJL170	111	11	11	WOPC	12	5	1264	+
VJL171	111	11	11	WOPC	12	5	1264	+
VJL172	111	11	11	WOPC	12	5	1264	+
VJL173	111	11	11	WOPC	12	5	1264	+
VJL174	111	11	11	WOPC</				

## Taipei Ends Import Ban On Cars From Seoul

*The Associated Press*

Unocal Corp., in the midst of takeover battle, said Tuesday it earned \$180.7 million in the first quarter, a slight improvement from the \$180.1 million reported a year earlier. Earnings per share were unchanged at \$1.04. Revenue rose 1 percent, to \$2.8 billion from \$2.7 billion.

Meanwhile, Ashland Oil Inc. helped by record results from its chemicals business, reported earnings in the three months ended March 31 rose to \$14.1 million, 22 cents a share, from \$5 million a year earlier. For the first 10 months of its fiscal year, Ashland said, profit rose 24.2 percent, to 4.9 percent decline in revenue.

**TAIPEI** — Taiwan will soon start importing 1,200 subcompact cars from South Korea after suspending auto imports from Seoul for a year because the Koreans refused to buy auto parts from Taiwan, the Economic Ministry said Wednesday.

The vice economic minister, Li Mo, said the resumption follows a meeting here last month between cabinet ministers from Taiwan and South Korea.

## Tiger Yields to Steinberg


*Los Angeles Times Service*

LOS ANGELES — Tiger International, reacting to threats from investor Saul P. Steinberg to run an alternate directors' slate, have agreed to support Mr. Steinberg and an associate as candidates for the company's board. Mr. Steinberg is the biggest shareholder in Tiger, the Los Angeles-based parent of the Flying Tiger Line.

### INTERNATIONAL FUNDS

**24 April 1985**

[illegible]



**Weekly net asset value**

**Tokyo Pacific Holdings N.V.**

**on April 22, 1985: U.S. \$134.25.**

**Listed on the Amsterdam Stock Exchange**

**Information: Pierson, Hedding & Pierson N.V.,  
Herengracht 214, 1016 BS Amsterdam.**

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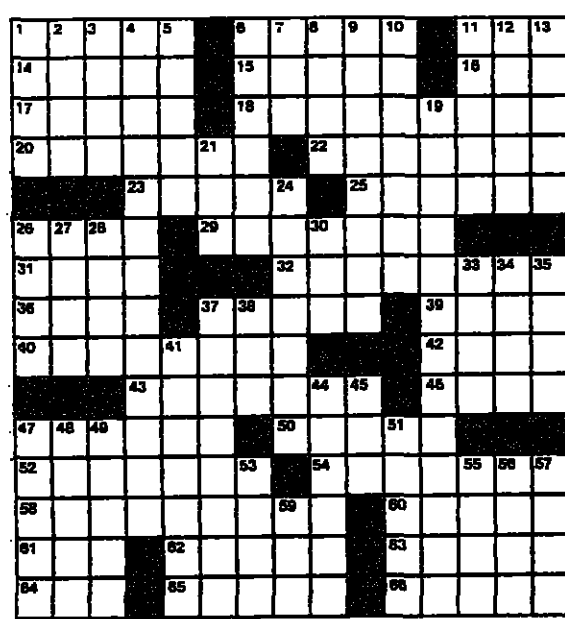
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HOME \_\_\_\_\_ OFFICE \_\_\_\_\_ HT 11.





**ACROSS**

1 Conductor's concern  
6 Herman and Ruth  
11 Less expenses  
14 Jimmy  
15 Valentine  
16 Be over-theatrical  
17 Witch bird  
18 Lushful looks  
19 Kind of a small part of a  
20 Postpone  
21 Former Spandau inmate  
22 Tatters  
23 Muddling  
24 Punished by a fine  
31 First Arabic letter  
32 Flapper Age  
33 Mendicant's request  
34 She wrote "Dix Portraits"  
35 Woody's son  
36 Famed Russian mystic  
37 Mountain where Moses died  
38 Resilient  
39 Suppose

**DOWN**

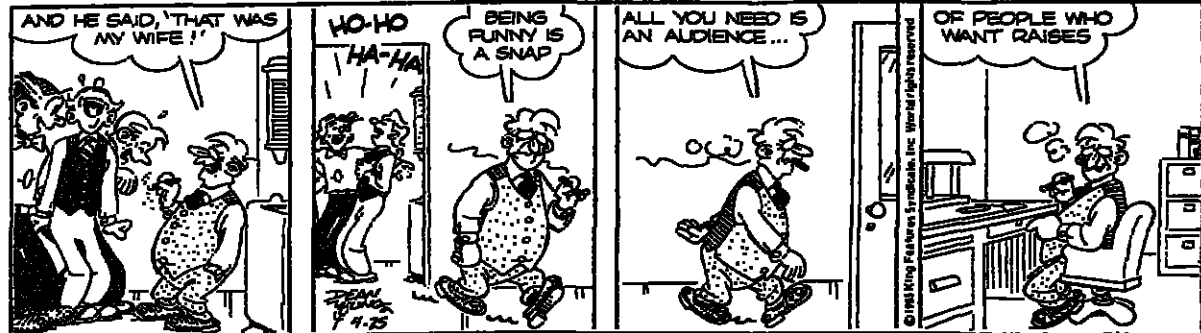
1 That—common sense  
2 Meredith  
3 Common phrase on a song sheet  
4 Culpa  
5 Sublets  
6 European coal basin  
7 Spicy stew  
8 Canadian-born U.S. admiral  
9 Reine's spouse  
10 Mahogany, for one  
11 Dresden's river  
12 Leeway  
13 Part of N.Y.C.  
14 Poetic contraction  
15 Long overcoats  
16 Likeness  
17 Maxwell, e.g.  
18 Showed a reel again  
19 Linda Lavin  
20 Vase's reverse  
21 Burma and tobacco  
22 Bell sound  
23 Mira is one  
24 Pisa divider  
25 Clock-setting in Newfoundland: Abbr.  
26 Stewed

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## PEANUTS



## BLONDIE



## BEETLE BAILEY



## ANDY CAPP



## WIZARD of ID



## REX MORGAN



## GARFIELD



## DENNIS THE MENACE



"MY DAD'S GOT LOTS OF JOBS. SOME DAYS HE'S AT THE SALT MINES AN OTHER DAYS HE GOES TO THE RAT RACE."

## JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

CADEY  
DRAYT  
COSHUL  
LUPPER

Answer: A

Yesterday's Jumbles: THICK FEWER BISSET COSTLY  
Answer: How a handicapped golfer plays— with his BOSS

## WEATHER

EUROPE HIGH LOW ASIA HIGH LOW

Algeria 15 19 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

Algeria 15 19 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

Algeria 15 19 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

Algeria 15 19 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

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Algeria 15 19 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

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## BOOKS

## THE BLOOD OF ABRAHAM:

Insights Into the Middle East

By Jimmy Carter. 224 pp. \$15.95.

Houghton Mifflin, 2 Park Street, Boston, Mass. 02108.

Reviewed by Marvin Seid

THE unfinished business and unfulfilled hopes of Camp David haunt Jimmy Carter. The peace process that he helped move forward in 1978 and 1979, and that seemed to hold such bright promise for the Middle East, has long since come to an inconclusive halt. Egypt and Israel have indeed ended their belligerency, but the goal of a larger regional peace remains as elusive as ever. The blood of Abraham that flows through the veins of Jews, Christians and Moslems alike, Carter writes, continues to be spilled in conflicts over the patriarch's inheritance. Why, and what Carter thinks is needed to change this dimly familiar state of affairs, is the subject of this book.

The former president has spent a lot of time talking with leaders and scholars from the Middle East. He has made a number of visits to the area. His views are shaped by compassion for all those, past and present, who have suffered in this cocktail of religious and nationalistic antagonisms. Like others, Carter believes that the Palestinian issue is central to the conflict and that there can be no resolution without its just settlement, specifically including the Gaza Strip and the West Bank. Like others, he believes that the reality of Israel must at the same time be accepted by its Arab neighbors.

Like others, Carter has no trouble defining the issues and relating the fears, grievances and ambitions that he has heard expressed on all sides. And like others, he can outline a sensible methodology for accommodation. What he cannot do is describe feasible means for moving the participants in the conflict to effective action. In the end, he can only put his faith in the eventual triumph of good will, reasoned self-interest, outside pressures and hope.

An implicit theme throughout this book is the absence of Middle Eastern leaders who are able and ready to act innovatively and decisively. Carter's model for such a leader is clearly the late President Anwar Sadat of Egypt, who moved boldly to break the enormously costly and unproductive cycle of violence and mistrust. Sadat was only partially

successful. He regained the Sinai for Egypt by giving Israel recognition and peace. But largely because of Israel's failure to live up to the Camp David accords, Carter suggests, Sadat was unable to break the stalemate over the West Bank. The one chance for that happening now is if leaders in Israel and among the Arab parties are determined to see it happen. The prospects for that are less than encouraging.

Israel is largely paralyzed under the rule of a "national unity" government that in fact reflects only the absence of a clear electoral consensus. King Hussein of Jordan has no interest in becoming the point man for a peace initiative that does not have the open blessing — and protection — of broad Palestinian support, and the backing of other Arab states, which up to now have shown no interest in attracting the wrath of Syria and other rejectionists.

The Palestinians have increasingly become hostage to the exclusive representational role conferred at a 1974 Arab summit meeting upon a now-divided Palestine Liberation Organization. The PLO, as Carter sees it, has reached a dead end. Its use of terror and its insistence on confrontation and inflexibility have achieved nothing for Palestinians living under Israeli rule. "The PLO leaders," Carter writes, "continue to act against the interests of those whom they represent while refusing to accept any responsibility for the lack of progress."

What might break this deadlock? Carter proposes that the United States take the initiative in peace talks and accept "deep involvement" in a reinvigorated process directed at a comprehensive Middle East peace. Those talks would be open to "all parties to the dispute," by which he means that the PLO should be included (since he is no longer president, it seems strange that he does not actually say so).

Moreover, among the aims of these talks should be protection of human rights, including "those generally recognized in the U.S. Constitution and under international law." This is an admirable goal. Presumably, since he advocates a comprehensive approach, Carter intends it to apply not just to the Palestinians but to the citizens of Syria, Saudi Arabia and other Arab countries where the guarantees of the U.S. Constitution are regarded with some suspicion, if not contempt. Unhappily, he fails to suggest how this might be accomplished.

In discussing President Assad of Syria, Carter writes that "he had a reputation among other Arab leaders for ruthlessness and brutality toward those Syrians who resisted his authority." This is a rather gingerly way to describe a man who has ordered the butchery of tens of thousands. It is unreasonable that would-be Arab compromisers ask themselves what their fate might be should they openly dispute Assad's will? There is no reason to doubt Carter's conviction that millions throughout the Middle East yearn for real peace and are prepared to accept political compromises to get it. But the enormous impediments to progress can be neither ignored nor wished away. It seems hardly likely that responsible formulas, no matter how sincerely proposed, will themselves be sufficient to remove these roadblocks. If it were otherwise, peace would have come to the Middle East long ago.

Marvin Seid is on the staff of the Los Angeles Times.

## Solution to Previous Puzzle

AMOR ABOUT BOWL  
LARA VERSO RAYE  
LONGFELLOW OKES  
ORO ARTY EVA  
WITNESS BRIDGES  
ARE FAIRMONT  
MARRY FINN IRAE  
EMIR FLAGG NATE  
NASO AITS ADLER  
STEWARTS ONE  
AIRGUNS MUDDLER  
AGE LESE EMU  
ECRU SHORTSTOPS  
FROG EAGLE ANTE  
TYKE SPEED BEYS

## BRIDGE

By Alan Truscott

BIDDING to an unbeatable slam contract in the face of a game-forcing opening by an opponent is something that does not happen to the average player in a bridge lifetime. It happened to East-West on the diagrammed deal although they were not allowed to play the slam, the end result was entirely satisfactory.

When South opened two clubs, strong and artificial, West was able to make an usual application of the "unusual no-trump" concept. His two no-trump bid showed length in the minor suits, and East was able to irritate South by jumping to five clubs.

It was no surprise to East to hear a five-bid on his left.

and he was unwilling to continue to six clubs. He could not be sure who could make what, but a venture to the six-level was clearly indicated.

East-West had now reached an unbeatable slam, since North-South could not maneuver a diamond ruff. South doubled in the fourth bid because his opponents were saving, and East-West were headed for a score of 1,090.

However, North decided that it was time to show his concealed six-card support and retreated to six hearts. This was a good decision, and East-West had to be content with a penalty of 500.

West led his singleton spade, and East read the situation correctly even though South concealed his deuce. After

winning the ace, East returned the spade five — suit preference for the low-ranking suit — and when West ruffed, he played a club.

**NORTH**  
♠ 7  
♥ 10 8 6 5 3  
♦ 8 3 2  
♣ 6

**EAST**  
♠ 10 8 5  
♥ 7  
♦ 9 8 7 5 4  
♣ 10 9 7 4

**SOUTH (D)**  
♠ A K J 6 2  
♥ A K Q J 4 2  
♦ 10 9 8 7 6 5  
♣ 10 9 8 7 6 5

North and South were vulnerable.

**South**      **North**      **East**  
2♣      2NT      Pass  
3♣      3♥      Pass  
4♣      4♥      Pass  
5♣      5♥      Pass  
6♣      6♥      Pass

West led the spade three.

## World Stock Markets

Via Agence France-Presse April 24

Closing prices in local currencies unless otherwise indicated.

Amsterdam

Class Prev. 214.00 214.00

ABN 4.25 4.25

ACF Holding 17.25 17.25

AKZO 23.12 23.12

Alcan 115.75 115.75

Almav 22.50 22.50

Almav 22.50 22.50

Almav 22.50 22.50

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## World Stock Markets

Via Agence France-Presse April 24

Closing prices in local currencies unless otherwise indicated.

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ABN 4.25 4.25

ACF Holding 17.25 17.25

AKZO 23.12 23.12

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## ART BUCHWALD

## The Dead-Cat Strategy

WASHINGTON — The move by Ted Turner to take over CBS has unleashed a series of other attempts by entrepreneurs to go after communications companies.

A week ago P. T. Raider, who owns an FM radio station in Zero Degrees, Wyoming, announced he was declaring war on the multi-billion-dollar Starfish Broadcasting Company.

At a press conference in New York, P. T. said he always desired to own a network, and he felt he could do a much better job than Starfish in serving the public.

Although he refused to say how he would manage the company, he did vow to fire the entire news staff and replace them with "American citizens who believe in God and Jesse Helms."

Asked how much cash he was willing to put up for Starfish stock, Raider said he was offering some-

thing better than money. "I will swap one share of Raider Communications stock for one share of Starfish Broadcasting."

When it was pointed out that Starfish was worth \$3 billion dollars and the sole Raider property, FM station YUK, was only worth \$1,200, P. T. said, "I might sweeten the pot by throwing in a dead cat with each junk bond."

Asked where he would get the money to pay for the dead cats, Raider said once he got control he would sell off the Starfish publishing company, the Starfish record division and the Starfish motion picture studios. "While all these companies make money, I will not saddle Starfish with more debt than it can handle."

A Wall Street Journal reporter asked Raider if it wasn't true that the only reason Starfish would be in such heavy debt was because of his hostile takeover bid.

P. T. told the reporter if he didn't retract the question Raider Communications would buy the Journal as well.

A year ago Raider would have been laughed at for trying pull off such a deal. But with the recent mergers in which takeover barons have been getting rich by high-flying tactics, no one on Wall Street is laughing at anybody anymore.

An analyst for Strong & Hairy, the brokerage firm, said, "Raider has a good chance of taking over Starfish. The dead-cat strategy has been used very successfully in a lot of merger deals this year. As long as there are people out there who would rather have a dead cat than a live company, P. T. is a threat."

Belton Lewis, who follows the entertainment business for Goode & Gander, thought Starfish could fight off Raider. "But," he warned, "it won't be cheap. The big boys who invest for the institutions don't care what happens to Starfish as long as they make money out of it. If they can get in and out of the stock before the company goes belly up, they couldn't care if the Apollo Khomani takes over the company."

Dalton Dunkirk, chairman of Starfish Broadcasting, told Louis Ruker on PBS that he didn't mind Raider's attempt to take over Starfish as much as he did having to put P. T. on his network news every night.

By Stephanie Mansfield

Washington Post Service

NEW YORK — She owns a Duesenberg, a 1936 yellow Rolls-Royce, a Mercedes 450SL. Her own polo team, a condo in Palm Beach, a farm in New Jersey, a cottage in England, millions of dollars in art, antiques and designer dresses, not to mention a five-bedroom house in the heart of Manhattan. Helen Boehm, 64, widow of the porcelain artist Edward Marshall Boehm, makes the Gabor sisters look like bad girls.

"The secret to having beautiful things is to share them with people," said Boehm (pronounced bohm), running her left thumb under her ring finger. The one with the 20-carat diamond.

"I bought a Duesenberg O.K.? Gaudy. I'm in Palm Beach with all my polo players, and that Duesenberg is in the winner's circle. It's a good feeling to be a winner. I would say everything else is second."

She was relaxing in her Manhattan pied-à-terre. On her wrist was a \$10,000 gold-and-diamond Rolex. She was wearing a black Chanel suit, Ferragamo high heels, Vampira-length polished nails and cranberry lip gloss, and it was only 11 A.M.

She was known back in Brooklyn as Helen Franzolin, one of seven kids of Italian immigrants. Together with her late husband, she started the porcelain business in 1950 with \$1,000. While he was in his studio, she took his animal figurines to Bergdorf Goodman for lunch hours from Meyrowitz, where she worked as an optician, prodding and bulldozing her way to success.

From the \$100 bluebirds that socialites gave their maids to the priceless swans President Richard M. Nixon presented to Chairman Mao, Boehm became synonymous with nouveau riche and was derided as "art for the dumb."

Helen Boehm now owns a Fifth Avenue gallery. She has presented porcelain pieces to seven U.S. presidents, three popes, Princess Grace of Monaco, Sweden's King Carl XVI Gustaf, and Prince Charles and Diana, Princess of Wales. The company has sold

more than 500,000 pieces in 35 years.

Now she has published her autobiography, "With a Little Luck" (ghost-written by Nancy Duman), a chatty memoir. She wanted to call it "From Brooklyn to Buckingham."

Indeed, Boehm came a long way. She took golf lessons so she could buttonhole wealthy clients on the links. During the Eisenhower administration she heard Prince Philip was coming to the United States, convinced her husband to sculpt a likeness of the prince playing polo, then cajoled her way into the White House to present the figurine.

One recent stunt backfired. In 1981, immediately after the flap surrounding the White House's purchase of \$200,000 worth of state china, Boehm announced that she was designing a set of personal china for the first family. But the Reagans refused to accept the Boehm-ware, priced at \$200 for each nine-piece place setting. Although the White House says Nancy Reagan never ordered the china, Boehm says she and the first lady "discussed it."

Asked why she published a book, she said, "I want to be an inspiration to other girls."

Ed Boehm may have been responsible for the Boehm birds, but it was his wife who was responsible for Ed Boehm. She traveled 10 months of the year as part of her public relations campaign, working the network of collectors and wealthy celebrities such as Frank Sinatra, convincing them that a Boehm duck turned was just as important an acquisition as a Meissen plate or a Ming vase.

She doesn't mind telling you that the reason they never had children was that her husband suspected he was illegitimate and distrusted his genes.

She also doesn't mind telling you about her dinners at the White House, her sojourns in Saudi Arabia, her nights at Buckingham Palace, her visit to the Great Wall of China in a full-length white miniskirt.

After Ed Boehm died of a heart attack in 1969, she quickly took over not only the business side but the designing aspects of the company, working with artisans trained in the Boehm method.

She said she had never forgot-



Helen Boehm: Riding her birds to riches, high places.

ten her roots. She does charity work with a church in New York, she said, and told the story of visiting some poor children on her birthday.

"This little boy comes up and says, 'Miz Boehm, are you rich?' I says, 'You know, Timothy, I wasn't always. I was very poor when I was a little child, just like you. But I worked so hard, and the harder I worked the luckier I got.'"

"He said, 'Is that real gold?' 'I said, 'You bet it's real gold.'"

Helen Franzolin was raised in a strict Catholic family. Her father died when she was 13, and her mother kept the girls on a short leash.

Her older sister went to work to help support the family, but Helen was sheltered, constantly chaperoned.

"It was the old-fashioned Italian way. A girl could be hurt. She could come up the wrong way, go with the wrong person."

Helen soon discovered a talent for designing and sewing dresses. She made extra money by selling frocks to classmates for 50 cents each. After high school, she got her optician's license and went to work in Manhattan at Meyrowitz. She loves to tell the story of the day Clark Gable walked in and Helen Franzolin, no shrinking violet, cornered him and sold him a pair of sunglasses.

In 1944 she met Ed Boehm, an Air Force private and breeder of exotic birds, championship cattle and racehorses. They were married two months later.

Ed Boehm was a mercurial genius, by all accounts. "His mother and father were divorced before

he was born," she said. "Then, his mother died when he was 7 and a neighbor put him in an orphanage. He was in there until he was 15 or 16."

He and his father had a distant, strained relationship. Because of this "hurt," she said, her husband turned to animals for comfort. "The animals respected him and he respected them. He could talk to birds. We had 17 aviaries and a beautiful garden. I'd look at him and he'd remind me of St. Francis."

But he was also a difficult man. Reese Palley, an Atlantic City art dealer, once said: "Ed Boehm was hell on people. He had a violent temper. It was impossible to be around him."

"Maybe he was eccentric, but I admired his mind, his talent," Helen Boehm said. "You gotta remember, he gave me one thing. I did not know what freedom was. Supposing I had married an Italian man and had six kids! I would never have known that there was such a thing as freedom."

She said she still felt guilt over her husband's death. He died, at the age of 55, while she was in New Mexico setting up a show. "I just felt that if I were there, maybe I could have helped."

She has ruled out remarriage, even to her longtime companion, Frank Costello, 51, the president of Boehm. Several years ago, she announced their engagement. But it was quietly terminated, although Costello still lives in the guest house on Boehm's estate in Washington Crossing, New Jersey.

What's behind her obsession with freedom and success? "I don't know what's driving me," she said. "I don't know. It's not money and it's not recognition. I want to achieve. Everybody wants to leave something behind, whether it's a book or a child. I want to leave beauty. And when I hear people say, 'Mrs. Boehm, if it weren't for you, my son would never have gone to college. I paid \$1,500 for a Boehm bird years ago and just got \$4,500 for it,' I say, 'Gee, that's good. I've done something.'"

Success, of course, doesn't stop her from renewing her optician's license every year for \$4.95. "I keep it up," she said, "just in case."

## Canadian Writer Mowat Is Refused Entry to U.S.

U.S. immigration officials have refused to allow the Canadian writer Farley Mowat into the United States, and Mowat says he suspects he has been blacklisted because he "treated the Russians as human beings" in one of his books. Mowat, 63, whose 1963 book "Never Cry Wolf" was recently made into a popular movie, said he received an explanation for the ban on entry. He might have stemmed from his 1970 book, "Siberia," which detailed two trips he made through Siberia. The New York Times quoted Duke Austin, a spokesman for the Immigration and Naturalization Service in Washington, as saying that for several years Mowat had been in the agency's "lookout book" of people considered inadmissible to the United States. Austin said Mowat was listed under a law excluding anarchists and Communists. Mowat, who lives in Port Hope, Ontario, was about to board a flight for Los Angeles to start a 10-day promotional tour of his most recent book, "Sea of Slughter," when immigration officials in Toronto told him he could not enter the United States.

Gerardine Ferraro, the Democratic candidate for the U.S. vice presidency last year, met Tuesday with Prime Minister Bettino Craxi during a private visit to Italy. Ferraro, who was Walter F. Mondale's running mate, is of Italian descent and has relatives near Naples.

Princess Stephanie of Monaco's highly publicized plans to start modeling in the United States have been postponed. She was to have attended a launching party Sunday in New York, but a spokesman for the Wilhelmina Agency said a telephone call late Friday from a representative of the princess's father, Prince Rainier, asked that the trip be delayed.

Prime Minister Margaret Thatcher opened a new religious and cultural center Wednesday in London for Britain's Islamic Muslim community. The Aga Khan, leader of the Ismailis, attended the ceremonies. The Aga Khan Foundation financed the center in the South Kensington district. An art gallery connected with the center is scheduled to open in June.

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